

# FINANCIAL LITERACY: EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS

---

## HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT,  
THE FEDERAL WORKFORCE, AND THE  
DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

APRIL 12, 2011

Available via the World Wide Web: <http://www.fdsys.gov>

Printed for the use of the Committee on Homeland Security  
and Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

67-127 PDF

WASHINGTON : 2011

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

JOSEPH I. LIEBERMAN, Connecticut, *Chairman*

CARL LEVIN, Michigan	SUSAN M. COLLINS, Maine
DANIEL K. AKAKA, Hawaii	TOM COBURN, Oklahoma
THOMAS R. CARPER, Delaware	SCOTT P. BROWN, Massachusetts
MARK L. PRYOR, Arkansas	JOHN MCCAIN, Arizona
MARY L. LANDRIEU, Louisiana	RON JOHNSON, Wisconsin
CLAIRE McCASKILL, Missouri	JOHN ENSIGN, Nevada
JON TESTER, Montana	ROB PORTMAN, Ohio
MARK BEGICH, Alaska	RAND PAUL, Kentucky

MICHAEL L. ALEXANDER, *Staff Director*

NICHOLAS A. ROSSI, *Minority Staff Director*

TRINA DRIESSNACK TYRER, *Chief Clerk*

JOYCE WARD, *Publications Clerk and GPO Detailee*

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL  
WORKFORCE, AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

DANIEL K. AKAKA, Hawaii, *Chairman*

CARL LEVIN, Michigan	RON JOHNSON, Wisconsin
MARY L. LANDRIEU, Louisiana	TOM COBURN, Oklahoma
MARK BEGICH, Alaska	JOHN ENSIGN, Nevada

LISA M. POWELL, *Majority Staff Director*

BENJAMIN B. RHODESIDE, *Professional Staff Member*

ALAN ELIAS, *Legislative Assistant Minority*

AARON H. WOOLF, *Chief Clerk*

## CONTENTS

Opening statement:	Page
Senator Akaka .....	1
Senator Johnson .....	3
Senator Coburn .....	3

### WITNESSES

TUESDAY, APRIL 12, 2011

Hon. Gene L. Dodaro, Comptroller General of the United States, U.S. Government Accountability Office; accompanied by Alicia Puente Cackley, U.S. Government Accountability Office; Barbara D. Bovbjerg, U.S. Government Accountability Office; and Susan Offutt, U.S. Government Accountability Office .....	5
Brenda Dann-Messier, Assistant Secretary, Office of Vocational and Adult Education, U.S. Department of Education .....	16
Lori J. Schock, Director, Office of Investor Education and Advocacy, U.S. Securities and Exchange Commission .....	18
Joshua Wright, Acting Director, Office of Financial Education and Financial Access, U.S. Department of the Treasury .....	20
Hollister K. Petraeus, Director, Office of Servicemember Affairs, Consumer Financial Protection Bureau .....	23

### ALPHABETICAL LIST OF WITNESSES

Dann-Messier, Brenda:	
Testimony .....	16
Prepared statement .....	50
Dodaro, Hon. Gene L.:	
Testimony .....	5
Prepared statement .....	35
Petraeus, Hollister K.:	
Testimony .....	23
Prepared statement .....	69
Schock, Lori J.:	
Testimony .....	18
Prepared statement .....	55
Wright, Joshua:	
Testimony .....	20
Prepared statement .....	63

### APPENDIX

Background .....	74
Statement of Ben Bernanke .....	79
Questions and responses submitted for the record from:	
Mr. Dodaro .....	95
Ms. Dann-Messier .....	98
Ms. Schock .....	102
Mr. Wright .....	104
Mrs. Petraeus .....	110
Safe Report submitted by Mr. Wright .....	114

(III)



# **FINANCIAL LITERACY: EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS**

**TUESDAY APRIL 12, 2011**

U.S. SENATE,  
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT  
MANAGEMENT, THE FEDERAL WORKFORCE,  
AND THE DISTRICT OF COLUMBIA,  
OF THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 2:33 p.m., in room 628, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka, Johnson, and Coburn.

## **OPENING STATEMENT OF SENATOR AKAKA**

Senator AKAKA. I call this hearing of the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia to order.

Aloha and good afternoon, everyone. I want to welcome our witnesses to today's hearing, "Financial Literacy: Empowering Americans to Make Informed Financial Decisions." Thank you for being here.

This April is Financial Literacy Month, our opportunity to showcase the importance of financial literacy in America. My first lessons in financial literacy date back to my childhood. My fourth grade teacher required us to have a piggy bank to teach us about money management. We learned that money saved a little at a time can grow into a large amount, enough to buy things that would have been impossible without savings. My piggy bank taught me important lessons about money management that I never forgot.

Growing up, my family did not have a bank account where we could save money securely and earn interest. I grew up in a large family and you could say we were poor. We budgeted by putting our money in a box that was divided into sections. If the food compartment was empty, we did not eat, even if there was money in the clothing compartment.

I know personally the challenges that families face when they are unable to save or to borrow money for unexpected expenses. My parents made difficult choices to provide better opportunities for their children. I understand now how much worse off we would

have been if my parents had not worked so hard to understand difficult financial decisions and to make careful choices, or if they had fallen prey to the types of predatory practices we have seen flourish in recent years.

All of this led to a better life for me and gave me an appreciation for the importance of financial literacy. Too many Americans do not have the financial knowledge they need to effectively manage their finances, use credit, and plan for retirement. Improving our Nation's level of financial literacy has been a top priority for me during my time in the Senate. I have worked to educate, protect, and empower Americans through financial literacy.

Through financial education, we can provide individuals with the knowledge and skills they need to make better financial choices. Through consumer protection, we can safeguard individuals against harmful practices and bad information that lead to poor financial choices. Accomplishing these two goals will result in economic empowerment for all Americans.

Just 10 years ago, Congress made its first serious commitment to financial literacy when we enacted my Excellence in Economic Education Act as part of the No Child Left Behind Act. My bill authorized a range of activities to promote economic and financial literacy in our schools. Then in 2003, we created the Financial Literacy and Education Commission (FLEC). The Commission is tasked with coordinating and improving the effectiveness and efficiency of Federal financial literacy efforts.

I am proud of my efforts with the help of many of my colleagues to educate, protect, and empower Americans. For example, credit card statements are now required to contain information about the costs of making minimum payments. More meaningful information will be available for consumers purchasing investment products or sending remittances to family members abroad. The Department of the Treasury is implementing provisions I authored to provide financial education to prospective homeowners and financial access to the unbanked and underbanked. Still, there is more work to be done.

The Federal Reserve estimates that household debt in America totals \$13.4 trillion. Most Americans do not have a budget and do not save for retirement, and many are unable to pay their bills on time. We are still in the midst of record rates of mortgage defaults and home foreclosures. One in three homeowners say their mortgages are not what they expected.

It is when people lose jobs and wages fall, when home values decline and foreclosures rise, and when retirement account values plummet, that the true costs of financial illiteracy becomes apparent. Financial literacy is more important than ever, and the Federal Government has a vital role in promoting financial literacy throughout the country.

Today, we will examine that role as well as the progress of Federal financial literacy initiatives and the Financial Literacy and Education Commission. I look forward to hearing from our witnesses today and I look forward to hearing from our other witnesses, as well.

Senator Johnson, your opening remarks.

### OPENING STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Thank you, Mr. Chairman. Aloha.

Senator AKAKA. Aloha.

Senator JOHNSON. Mr. Dodaro, it is nice to see you again here.

I would like to thank the Chairman, first of all, for holding this hearing. Financial literacy is pretty dear to my heart. The last 10 years in Oshkosh, most of my volunteer efforts were really centered around education, and the last 2 years in particular, I was the Business Co-Chair of our Partners in Education Council of the Oshkosh Chamber. This was a group of individuals, educators from high school, administrators and teachers, as well as the University of Wisconsin-Oshkosh, Fox Valley Technical College, the private schools, as well as the Catholic school system, and a number of business leaders from the community.

And as we discussed the problems with education, certainly the business leaders' input always was what we were seeing in terms of recent graduates coming to our workplace, and it was amazing. The consensus view from all the business leaders was that recent graduates were coming to our workplace totally unprepared for not only work not understanding the importance of attendance, appearance, work ethic, attitude—but tragically coming to the workplace in way too much debt. And that is not only just high school graduates, that is also kids who have just graduated from college who had gotten in way over their head in debt with college loans.

So I do believe that financial literacy is an incredibly important topic for our Nation. It really challenges our success as we move forward. But I guess what I would like to get out of this hearing is certainly what we were doing is we were addressing it at the local level, which I think, in general, is where this is going to have to be addressed, with each individual student. And so I guess the questions I will be having is what is the Federal role? How effective are we at performing that role? How cost efficient are we?

That is really kind of what I am looking to get out of this hearing, so thank you, Mr. Chairman.

Senator AKAKA. Thank you very much, Senator Johnson. Senator Coburn, your opening.

### OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. First of all, Mr. Chairman, I love you tremendously. I think you are a sweetheart of a person. I have a completely different thought on this.

I would go back to what you said. Who taught Chairman Akaka his financial literacy? His teacher. We have to fix the real problem. It means what we are doing is not teaching the teachers, and therefore it is not taught. The problem is our educators today are not taught financial literacy and not taught to teach financial literacy.

I have heard you tell about your stories and your family at our prayer breakfast on Wednesday. It is always wonderful to hear what you learned from your family. I am not going to be able to stay for the whole hearing, but Mr. Dodaro is going to talk about some things that came about out of his report. What we know is that we have 20 different agencies in the Federal Government. We

know that we have 56 separate financial literacy programs and we in Congress have not done oversight on any of them.

So I have some questions. No. 1 is do we have the moral authority to teach financial literacy from the Federal Government when we have a \$14.2 trillion debt, when we run deficits of \$1.2 to \$1.6 trillion a year. It takes a lot of arrogance on our part to think that we can teach young people when we are managing a Government that has that kind of imbalance. I think we lack the moral authority.

I think we also lack the constitutional authority. If you look at education since 1978, we have spent \$2 trillion on education. You cannot find one metric that is better since we have been involved in it. Again, Thomas Jefferson said, if you want the Federal Government involved in education, you have to change the Constitution. We did not do that. We just ignored it.

What we do not lack is the goal that we would assume that we can teach somebody financial literacy. So I am very concerned about where we are going. This is an area where I think we ought to have oversight. I think we ought to have consolidation of programs. If, in fact, it is a legitimate role for the Federal Government, we ought to be consolidating and doing oversight to make sure that we get good value of the programs that we run. There is nothing wrong with our Federal employees in trying to do this, there is a problem with Congress in terms of oversight.

So the fact that you are having this hearing today, I congratulate you. I think it is important that we do it so we can find out about the 20 different agencies and the 56 different programs. Thank you.

Senator AKAKA. Thank you Senator Coburn.

I welcome our first panel of witnesses to the Subcommittee, the Honorable Gene Dodaro, Comptroller General of the United States and head of the U.S. Government Accountability Office (GAO).

It is the custom of this Subcommittee to swear in all witnesses. Please stand and raise your right hand.

Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DODARO. I do.

Senator AKAKA. Thank you. Let it be noted in the record that the witness answered in the affirmative.

Before we start, I want you to know that your full written statement will be part of the record and I would like to remind you to please limit your oral remarks to 5 minutes. Mr. Dodaro, please proceed with your statement.

**STATEMENT OF HON. GENE L. DODARO,<sup>1</sup> COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; ACCOMPANIED BY ALICIA PUENTE CACKLEY, BARBARA D. BOVBJERG, AND SUSAN OFFUTT**

Mr. DODARO. Thank you very much, Mr. Chairman. Good afternoon to you, Ranking Member Senator Johnson, and Senator Coburn. It is nice to see all of you this afternoon.

I am particularly pleased to be here on Financial Literacy month to talk about this topic which is important to the well-being of our citizens and the economic health of our country. Senator Akaka, I would like to recognize your leadership on the many initiatives that you taken over the years on this topic.

GAO's involvement has been, at the request of Congress, looking at a lot of these individual agency efforts on specific areas such as the student loan programs, disclosures in banking and investment products, products that are trying to be sold to members of our military, also in retirement and savings areas. So we have done a lot of work looking at individual areas.

More broadly across the Government, as Senator Coburn mentioned, we have observed that there are 20 agencies engaged in this activity and there are over 56 different programs or activities that are underway, which raises questions about fragmentation and potential duplication. It places a premium on the need for Federal agencies, to the extent they are going to be involved in these activities, to coordinate their activities effectively.

Consequently, we have also looked at the activities of the Financial Literacy and Education Commission since it was formed in statute back in 2003. 2006 was the first year that they had created a national strategy. We thought it was a useful first step, but that it was more descriptive of what was going on rather than strategic. Recently this year, they have issued the second version of their national strategy, which has more clear goals and objectives stated in it but does not yet have performance measures, what resources are required, or clear roles and responsibilities enumerated for the agencies. Senator Johnson and Senator Coburn, both of those areas go to the heart of your issue. We do not really know right now what the total investment is in these programs and what the clear roles and responsibilities should be.

Now, the implementation plan that the Financial Literacy and Education Commission is going to create, I think, could be a platform for oversight activities of this Congress. It is due to be issued before the end of this fiscal year.

Also, there is a new development with the creation of the Bureau for Consumer Financial Protection that was created under the Wall Street Reform Act. That new Bureau is to be up and running by July of this year and it is charged with developing a strategy on financial counseling activities, credit counseling for consumers as well as savings and borrowing areas. So its charter somewhat is similar to what the charter is for the Commission and that underscores the need for additional coordination and communication across the executive branch and with this new Bureau going forward.

<sup>1</sup> The prepared statement of Mr. Dodaro appears in the appendix on page 35.

Clearly, this effort requires a partnership, whatever Congress determines to be the Federal role. There are partners at the local level in academia at the nonprofit organizations, and a lot of people interact with the public in this, and it really will require, I believe, a true partnership over a period of time.

There is also a dearth of knowledge about what works and what does not work in financial literacy education. One of the mandates we have under the Wall Street Reform Act is to evaluate the effectiveness of Federal literacy education efforts that have taken place so far. We are in the process of completing that work. We will have a report out this summer. But it really does not look like there is a lot of empirical information on what works in terms of not only educating and increasing knowledge, but how you effect a change in behavior on the part of the individuals provided that education.

So it is very important to continue to focus on these activities. I think congressional oversight is warranted, and could be a constructive force in making sure whatever is done is done effectively and efficiently.

I can assure you GAO will remain committed to this area. It is one of my top priorities that I would like to focus on throughout my tenure at the GAO because I believe it is important. But we really have to figure out how best to tackle this subject and do it in a cost effective manner.

So I thank you, Mr. Chairman. I would be happy to answer your questions. I have with me today some of our experts in financial markets and retirement and education areas that will help me answer questions, and I may call upon them, if it is OK with you, to answer some questions. Alicia Puente Cackley, Barbara D. Bovbjerg, and Susan Offutt, our Chief Economist.

So thank you very much. I would be happy to answer questions.

Senator AKAKA. Thank you very much, Mr. Dodaro, and I want to tell you that they are welcome to join you to answer questions.

Mr. Dodaro, I want to commend and thank you for making promoting greater financial literacy in the United States a top priority. I share your belief that this issue is important enough to warrant the focus of the Comptroller General. My question to you is, how do you believe you can best leverage your position to accomplish this critical and challenging goal?

Mr. DODARO. There are really three elements to it, Mr. Chairman. First, we have a strong foundation of knowledge in responding to congressional requests and looking at how Federal law as enacted has been implemented in these areas to try to provide financial literacy education and interact with the public on important Government programs that it offers and provide the protection. So to the extent to which Congress has already determined that certain activities will be done by the Federal agencies, we have evaluated how they are operating, and so we start off with a strong base of knowledge, institutional knowledge in GAO.

Second, we have the resources and the support to effectuate and bring together multiple parties. So we have the convening power. The Comptroller General forums is one that we have used historically throughout GAO. It was used by my predecessors, Dave Walker, Chuck Bowsher, to bring people together from different elements of society to talk through issues so we can identify what

kind of gaps exist, what challenges are there, and what the proper role should be for GAO and for the Federal Government in that matter and advise the Congress on what others think about it.

For example, I plan to convene a forum this fall to bring together people from Federal, State, and local levels, nonprofit, private sector, and academia, to talk about this subject and to get collective judgments and experiences of those people. Also, the unique position that I am in is that I have a 15-year tenure. So you have a long period of time to focus on the subject, and this subject will take time. To the extent to which the Federal Government wants to achieve objectives in this area, it will take time, and I believe that enables me to work across Congresses, across administrations, and be able to be a source of institutional knowledge and also one that can continue to track progress and what is working and what is not.

Senator AKAKA. Thank you, Mr. Dodaro.

As you noted in your testimony, providing Americans with the information they need to make responsible financial decisions is key to their well-being and the economic health of our Nation. What unique capabilities does the Federal Government contribute to financial literacy efforts?

Mr. DODARO. Well, there are two things. First, I would say, there is a lot of expertise in departments and agencies on specific issues, whether it is investor information, retirement, pension information, or student loan programs. So there is a reservoir of knowledge. But also, importantly, the Federal Government is a source of unbiased objective information. There is no financial interest on the part of the Government in providing this information and it can make information available to people through its normal exchanges of dealing with the Federal Government.

Now, I would say to Senator Coburn's point, I think the Federal Government could do a much better job being a role model in this area and exhibiting behavior on the part of its financial practices itself. But I do think the Federal Government has both the ability to tap into resources that are there and to provide objective information.

Senator AKAKA. Mr. Dodaro, I am concerned that GAO's recent report noting possible fragmentation of Federal financial literacy efforts has been inaccurately characterized as evidence of duplication. Would you please clarify GAO's findings and explain why enhanced coordination may be beneficial in the area of financial literacy.

Mr. DODARO. Yes. Back in 2006, when we commented on the national strategy, one of the recommendations we made to the Financial Literacy and Education Commission was that it have an outside objective look at the extent of potential overlap and duplication in its activity. So we were concerned back then. They have had a couple of studies since then. Both studies have concluded there is little evidence of exact duplication of same services to the same beneficiaries, but clearly there is fragmentation in these areas in that you have multiple agencies acting in the same area of national interest.

And so, our concern is that fragmentation left without proper oversight can lead to duplication down the road. I think in this par-

ticular area, the fragmentation and potential duplication is heightened a bit by the creation of this new Bureau of Consumer Financial Protection at the Federal Reserve, so I think congressional oversight would be warranted in this area.

So there really is not evidence to date. We are concerned about it. That is why we put it in the report that we gave to the Congress. And clearly, fragmentation is really only controlled through effective communication and coordination. If that does not happen, then these things can easily lead to inefficiencies in how we use our resources.

Senator AKAKA. Well, we will have a second round of questions. I will now pass it on to Senator Johnson for his questions.

Senator JOHNSON. Thank you, Mr. Chairman.

You mentioned there are 20 agencies involved in this. In terms of how this is organized, is there a lead agency? Is there a pecking order here?

Mr. DODARO. Yes. There is an Office of Financial Education within the Treasury Department that coordinates the work for the Financial Literacy and Education Commission. So they are sort of the coordinating entity, by statute, I believe.

Senator JOHNSON. You say you really do not know how much is spent in total. I mean, can you hazard a guess? Are we talking millions, hundred millions, billions? I mean, do you have any clue at all?

Mr. DODARO. Let me just check. Yes. There is really not a way to determine it because there are not budget items for this subject clearly marked. So we really cannot—I cannot give you a guess at this point, even an educated guess.

Senator JOHNSON. Is there any line item within a particular agency that would give you some sort of feel of, well, the Treasury is spending—they have an office that spends \$20 million on it, or—

Mr. DODARO. Yes. Well, I think there are a few people in the Treasury Department, and one of the things that we have recommended is their implementation plan is going to be issued by the end of this fiscal year, that it include resource estimates in the plan. We are saying is you ought to be clearer about the roles and responsibilities and the resources that are needed. I take it from our team we have tried to determine the amount of resources, but we have not yet been able to do so.

Senator JOHNSON. Just in kind of getting ready for this hearing, I think one of the things that jumps off the page at me is the Financial Literacy and Education Commission was first formed in 2003, is that—

Mr. DODARO. The law was passed in 2003, right.

Senator JOHNSON. Can you point to some accomplishments since 2003 of them creating strategies and then doing another strategy and then doing a report, or—

Mr. DODARO. Yes. Well, they have created a website. They have it established, it is mymoney.gov. It has resources that are connected and have links on it there. They have improved the coordination and communication among themselves within the Federal agencies. But they would be in a better position to give you more specifics. Those are the things that we have noted over time.

Senator JOHNSON. Financial literacy can be a relatively broad topic—

Mr. DODARO. Right.

Senator JOHNSON [continuing]. And cover all types of things. Is there any kind of priority in terms of what we are trying to teach, I mean, what the Federal Government is concentrating on here?

Mr. DODARO. Yes. One of the things in their new strategy that they just put out this year were developing some core competencies, and those competencies would deal with issues in terms of what they think the average citizen should know, savings, borrowing, credit, those sorts of things. They are due to be able to develop that coming forward and then we will be able to review that and be able to see whether or not that makes sense as the right approach to do.

So far, they have focused a lot on awareness and raising education and providing resources to people to be able to use available resources to help inform them. But one of the things that we have noted is there really are not any performance measures in their plan, and that is what we are hoping to see in the implementation plan. If you do not have clear roles and responsibilities, if you do not know how much resources that you are using and you do not know how you are going to measure your performance going forward, you are really not going to be in a good position to demonstrate achievement or answer the questions you are asking about what progress have they made over a period of time.

Senator JOHNSON. I mean, if they have not even in 7 years defined what it is they are going to teach—or am I misinterpreting that? When you started talking about they are trying to define the core competencies, I mean, that is 7 years just trying to lay out that, and, we really ought to teach kids about running up credit card debt or getting in too deep in terms of student loans or how do you educate the public in terms of mortgage literacy. Are we really, after 7 years, just laying out what those core competencies are? Is that as far as we have gotten?

Mr. DODARO. Well, as I mentioned, they have established websites, have links, have created some partnerships and activities and getting other people involved, and so I think they are trying to go about this in a more systematic manner. Quite frankly, I think this was an important initiative, but I think the last recession has really underscored how important it is and that has spurred people to become a little bit more active in this area. Most of these programs we are talking about have only been created in the last decade, and we are going to be pursuing the individual cost of these programs in our future work.

Senator JOHNSON. When you have 20 different agencies involved, again, you are spanning—can you just name the top five or six agencies that really have accomplished objectives here or actually have some sort of focused effort?

Mr. DODARO. Well, I can name some of the ones that are involved. I am not sure I can name the ones that have the greatest accomplishments. But the Treasury Department is involved. The Department of Defense (DOD) is involved in providing information to military servicemembers, and for there, we have made a number of recommendations that they have implemented. So I think there

has been some progress in that area, as well. The Department of Health and Human Services (HHS) has a number of programs that are dealing with both health issues as well as aging.

If I might, I might ask Alicia to come to the table and help give more specifics, Senator.

Senator JOHNSON. That would be great. Thanks.

Ms. CACKLEY. So the question being which agencies have the largest proportion of programs. I think some of the major ones would be the Department of Housing and Urban Development (HUD), and the Education Department (DOE), the Federal Trade Commission (FTC), the Securities and Exchange Commission (SEC). Those are some of the programs that we have identified.

Senator JOHNSON. Can you just give me an example of—a program that has worked, in terms of what it is we are trying to educate and how we go about implementing that. How do we push this back down to the level of people actually learning.

Ms. CACKLEY. I can give you examples of programs. We have not done the work to say which ones are working that we have identified best practices yet. There are certainly programs that we are looking at. There is a Homebuyers' Counseling Grant Program that we are mandated to look at that is run out of the Office of the Treasury, actually, but it is for individuals who are planning on buying a home, that they get counseling beforehand about financial literacy issues, about how to save for a downpayment, about just how to go about doing the purchase of a home.

Senator JOHNSON. Thank you. Well, I guess I have run out of time. Thanks.

Mr. DODARO. Senators, one program at the Federal Deposit Insurance Corporation (FDIC) called Money Smart, we would be happy to provide some information for the record on that one. I think that one has a pretty good reputation and has a good evaluation component built into it. Excuse me, Senator.

Senator AKAKA. Thank you very much. Senator Coburn.

Senator COBURN. Mr. Dodaro, can you imagine anybody sitting at home—they are obviously not seeing this. This does not rank high on C-SPAN's coverage. But this is the classic case of why this country is in trouble. In 2003, we passed a law. I question whether or not we had the authority to do that under the Constitution, but let us say we did. In 2006, you make major recommendations. Whether or not they have been followed or not, you have not reported on. In 2011, a full 8 years after the bill is passed, we now start with core competencies, which is the very thing we should have started with in 2003. I am not trying to Monday morning quarterback this, but can you think of a worse way to set things up than what we have done? Can you ask any American who would think that the Federal Government ought to have 56 different programs for financial literacy? Even if we were running our budget well, and even if we do have the constitutional authority, 56? What is our goal? Our goal is to be financially incompetent if that is the way we are going to run the Federal Government.

I have a great relationship with your team and this is a classic example of a well-meaning intent by the Senator from Hawaii to accomplish a purpose. However, we have zero metrics that we know of. Your report could give us zero metrics on any of them.

That does not mean they are not out there, but right now, this Congress, 8 years after this has happened, we have zero metrics. And what do we do? We duplicate your Commission with the Consumer Product Safety Board with another set of rules, exactly the opposite of what we should have done. What we should have done is consolidate them all in one and say, what is our goal? How are we going to measure it? Who are we going to put in charge of it. Instead, we have financial literacy programs at 20 different Federal agencies. That is insanity.

This is a classic case of what not to do. It does not mean people are not trying to do the right thing. It means we have not done the oversight to see what should happen.

I will go back to the original thought. Our failure is in the Department of Education, because financial literacy is not hard. You can learn it in the sixth grade. Chairman Akaka learned it in the third grade. But the fact is, we are not teaching the teachers. Because we are failing at one program, now we have 56 programs to try to make up for it.

You can tell I am intense on this issue, not because of this one program, but I can show you 100 other programs with great intentions, great compassion for people in this country that are failing just like this is. The fact that we do not have metrics and we do not know what it costs, the fact that we cannot even tell what it costs is another big problem, that you could not find out what it has cost.

By the way, the reference for all this came out of the work that the GAO did in terms of the last debt limit extension to where we were trying to find duplication in the Federal Government. GAO has looked at about, I guess, a third of the Federal Government. But to me, it is very frustrating that we are where we are. The lesson we should learn from this report is, let us not go there again.

And I tell you, what you are setting up in terms of the consumer, do not make the mistakes. There should not be one thing that does not have a metric on it. There should not be anything outside of core competencies, and if they are effective over here, then let us eliminate the rest of it, but let us do not have dual paths. Nobody can tell me with 56 different programs that we are efficient utilizing Federal employees in doing that when we could have three or four and accomplish the same thing.

So end of my statement. No question. I apologize for ranting.

Senator AKAKA. Thank you very much, Senator Coburn.

Mr. Dodaro, as you noted in your testimony, evaluating financial literacy programs is challenging. However, you note that the FDIC's Money Smart program does have a strong evaluation component. GAO is in the process of reviewing existing studies of the effectiveness of financial literacy. My question is, do the methods used to evaluate the Money Smart program show promise as a model that could be adjusted for other agency programs?

Mr. DODARO. There are two components of the Money Smart evaluation program that I think are really important and could be helpful going forward. One is they are attempting to measure not only what information is passed to the people who use the program, participate in the program, but also whether it is changing their behavior, which is a real important outcome of this, not to

just in terms of provide the education, but hope it achieves an objective of having them make sounder decisions.

And then, second, it has a longitudinal component, so it is trying to measure the performance over time, which I think is another important measure. So, yes, there are important lessons that could be learned out of that program. What we are finding overall, though, is there is very little empirical research on the effectiveness of financial literacy efforts and even fewer studies that are actually measuring the behavior as the Money Smart program is trying to do. So we are analyzing those studies now and we will be providing our report to the Congress this summer.

Senator AKAKA. You say you are analyzing these studies now. Is there a timeframe for releasing the results of this report?

Mr. DODARO. Yes. We have to report by the anniversary date of the Dodd-Frank Act, which will be by July, and so we will be reporting by then.

Senator AKAKA. Mr. Dodaro, I am pleased that the 2011 National Strategy for Financial Literacy developed by FLEC incorporates many of the GAO's recommendations. I am looking forward to reviewing FLEC's forthcoming plan to implement the national strategy. Based on the best practices GAO has observed, what elements must an effective implementation plan contain?

Mr. DODARO. There needs to be clear goals and objectives in the plan, a statement of what issues are trying to be addressed or the problem that it is trying to be solved or help improve the situation. There need to be clear resource measures as to what level of investment is going to be made in the program. There need to be measures of progress and metrics of success.

We think the current plan that was produced this year has clear goals and objectives in it, but it lacks the performance measures, resources to be invested, and clear roles and responsibilities of the departments and agencies. So we are hoping that the implementation plan that the Commission is scheduled to release by the end of this calendar year contains those elements. I think that would be very important and it would provide a good benchmark, as well, as the new Bureau is stood up over at the Federal Reserve.

Senator AKAKA. Mr. Dodaro, as you know, I have long championed efforts, such as the GPRA Modernization Act, aimed at enhancing collaboration and coordination across the Federal Government. In 2003, as you mentioned, we created the Financial Literacy and Education Commission to enable this coordination among the key agencies working to improve financial literacy. How can the FLEC build upon the progress its members have already made?

Mr. DODARO. Well, I think two things are important. One is this implementation plan. It has to be clear of what is expected to be achieved and over what period with what level of investment. They can also begin to do more evaluations of the programs of success to find out what works and what does not and how to build upon the successful elements of what they are achieving. And third, they need to really coordinate closely with this new Bureau so that the resources that are spent by the Federal Government are spent as most effectively and efficiently as possible.

Senator AKAKA. Mr. Dodaro, the GAO has found Americans with limited English proficiency face significant barriers to financial lit-

eracy. This places them at greater risk for predatory practices and poor financial decisions. In your view, how would increasing financial literacy among those with limited English proficiency benefit individual consumers and the economy as a whole?

Mr. DODARO. Yes. Well, to the extent to which everyone would benefit from financial literacy, they would benefit, as well, in terms of increasing their self-sufficiency and being able to guard against practices that are really trying to be deceptive, if you will.

Many of the people with limited English proficiency also would benefit from making sure that they are using our financial system so they are getting the benefit of those systems rather than payday lenders or using money orders or other more costly methods of basically conducting their financial business. It is estimated that one in four households does not have a checking or a savings account and thus they turn to these other measures. And so the extent to which people can be educated that there are better ways to be able to do it and more cost-effective ways for them, I think everybody would benefit.

Senator AKAKA. Thank you very much for your responses. Senator Johnson.

Senator JOHNSON. Thank you again, Mr. Chairman.

Mr. Dodaro, you talked about studies being conducted. Who is conducting those studies?

Mr. DODARO. One was done by the Research and Development (RAND) analysis. Let me let—Alicia can give you more specifics.

Ms. CACKLEY. There were two studies that were done. The first was done by a post-doctoral student who was contracted to do the analysis. We looked at that work and suggested that there could be a more objective analysis done, and then the RAND study was done as a result.

Mr. DODARO. Were you talking, Senator, about the studies that were done more broadly evaluating financial literacy efforts—

Senator JOHNSON. Yes. I am trying to determine—

Mr. DODARO [continuing]. Those studies?

Senator JOHNSON [continuing]. First of all, who is conducting the studies—

Mr. DODARO. Right.

Senator JOHNSON [continuing]. What are they studying.

Mr. DODARO. Right.

Senator JOHNSON. Specifically, what are they looking at?

Mr. DODARO. Right. He is talking about the 200 studies we are currently looking at.

Ms. CACKLEY. The 200 studies of—

Mr. DODARO. The financial literacy efforts, our current mandate.

Ms. CACKLEY. Our current mandate looks at what—we started with a broad set of studies. I was looking puzzled because we got from 200 down to a smaller number when we established the criteria of whether they were good empirical studies, so it is a smaller number now. But GAO did an analysis of the literature, so we went out and looked across the academic literature and found which were the most robust studies of financial literacy that were within the last—how many years—10 years, I believe.

Senator JOHNSON. So again, these are academic studies, not really commissioned by the GAO, but you are just searching the aca-

demic literature in terms of people conducting studies on financial literacy.

Ms. CACKLEY. Right. Conducting studies on the effectiveness of financial literacy programs, yes.

Senator JOHNSON. OK. Which programs? What were they studying, or just they were studying everything?

Ms. CACKLEY. I think there is a variety of different outcome measures or specifics. It is not as if everybody looked at exactly the same thing. So there is a range of populations that were studied. There is a range of outcome measures, whether or not the studies looked at, I think as we said before, just an increase in knowledge or a change in behavior. There is quite a difference.

Senator JOHNSON. Again, I am sorry. I am confused. Mr. Dodaro, you were talking about you are mandated by the Dodd-Frank bill to complete the study by the anniversary date of the Dodd-Frank—

Mr. DODARO. Right.

Senator JOHNSON. What study?

Mr. DODARO. Right.

Senator JOHNSON. I mean, are you studying the studies?

Mr. DODARO. Basically, we are studying what is known about the effectiveness of various financial literacy efforts, and so we are doing a synthesis of the studies. We are not trying to go out and do a—we do not have time to be able to do a de novo study of this. So, yes, we are looking at all the studies that were done. We do this routinely in certain different areas, and then we determine which of the studies have enough good methodologies to be able to be relied on and then we will sort of summarize that for the Congress. I would be happy to give you a list of the studies that we are working on, what was studied and what was done, but this is in process and we should have the final results out. So, yes, we are analyzing studies done by others.

Senator JOHNSON. And not necessarily targeting Government programs. So the study you are doing really may have nothing to do whatsoever with these 20 agencies or these 56 different programs. I mean, you are just kind of picking whatever is out there in the academic literature.

Mr. DODARO. Well, it will cover whatever is done by the agencies plus what would be done by others. So it will cover everything that has been done. We are not excluding any studies that might have been done by Federal departments or agencies or focused on their programs, but it is broad-based.

Senator JOHNSON. So have there been studies, then, that have been done by the Government agencies on their educational programs, their financial literacy programs? I mean, those things actually do exist?

Ms. CACKLEY. Different agencies have done—have a different level of analysis of that, the effectiveness of their programs. So one example is the Department of Labor (DOL), which has done focus groups to determine the effectiveness of their different forms of outreach and understanding of the content of the material that they provide. So that is one example. But each agency—because each agency has a different program, may target a different popu-

lation, they may have a different evaluation method. That is part of the fragmentation that we have identified.

Senator JOHNSON. So let us just say the Department of Labor study, as one example. Who is the Department of Labor targeting for financial literacy education?

Mr. DODARO. Yes. Let me—Barbara Bovbjerg handles our work in that area. Let me have her come up, Senator.

Senator JOHNSON. Great. Thanks.

Ms. BOVBJERG. Hi, Senator Johnson. I am Barbara Bovbjerg. I am Managing Director of Education, Workforce, and Income Security at GAO. We have looked at the Department of Labor's outreach for a number of years, ever since Congress passed the SAVER Act back in the 1990's, because they have been tasked with working with other Federal agencies and trying to reach out to American workers on how to save for retirement and how to understand some of the various retirement investment instruments that are out there. At our recommendation, they did try to look at how effective this outreach was, and I know that they have been running focus groups, I thought fairly regularly, although I have not seen any results from them really recently.

But it is just an example of there are different ways that different agencies attempt to address this. I guess I also wanted to say that I think that different agencies have a different idea of what they are trying to do with regard to financial literacy. The Department of Labor is not trying to teach young people how to calculate rates of return or percentages. They are dealing with working adults and trying to explain to them what the different options are for them for retirement saving and how important it might be to pursue some of those options. So it can be different in the different agencies' approaches.

Senator JOHNSON. OK. Thank you. I am running out of time and I am just trying to get up to speed on this.

Senator AKAKA. Thank you. If you have another question, you may proceed.

Well, I want to thank you very much, Comptroller General Dodaro, for being here, and also thank you, Alicia and Barbara, for joining him. I want to tell you that we appreciate your testimony and your answers here. They have been valuable for us. We continue to look at what is happening so that we can improve the system and that is our intent. If we can work on this together and improve the system, it will certainly serve our country well.

So I look forward to working with you and this Committee does, and hopefully, we can have better methods of oversight and measuring what we are doing and also the resources that we need, as well. Thank you very much for your testimony today. Thank you.

Mr. DODARO. Thank you very much, Mr. Chairman. I will say that we will provide your staffs information on the methodology we are using for this study of financial literacy efforts and be happy to have any input that either you, Senator Akaka, or Senator Johnson have to help us make sure that we do the best job that we can in doing this review.

Senator AKAKA. You can tell that Senator Johnson and I as partners in this Subcommittee are very anxious and excited about moving this along. So we look forward to working with you. Thank you.

I would ask our second panel of witnesses to come forward, please.

I welcome our second panel of witnesses to the Subcommittee: The Honorable Brenda Dann-Messier, Assistant Secretary for the Office of Vocational and Adult Education at the U.S. Department of Education; Lori Schock, Director for the Office of Investor Education and Advocacy (OIEA) at the U.S. Securities and Exchange Commission; Joshua Wright, Acting Director for the Office of Financial Education and Financial Access at the U.S. Department of the Treasury; and Holly Petraeus, Director of the Office of Servicemember Affairs of the Consumer Financial Protection Bureau (CFPB) at the U.S. Department of Treasury.

It is the custom of the Subcommittee to swear in all witnesses, so will you please stand and raise your right hand.

Do you solemnly swear that the testimony you are about to give the Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. DANN-MESSIER. I do.

Ms. SCHOCK. I do.

Mr. WRIGHT. I do.

Mrs. PETRAEUS. I do.

Senator AKAKA. Thank you. Let it be noted for the record that the witnesses answered in the affirmative.

Before we start, I want to note that your full written statements will be made part of the record and I would like to remind you to please limit your oral remarks to 5 minutes.

Assistant Secretary Dann-Messier, will you please proceed.

**STATEMENT OF BRENDA DANN-MESSIER,<sup>1</sup> ASSISTANT SECRETARY, OFFICE OF VOCATIONAL AND ADULT EDUCATION, U.S. DEPARTMENT OF EDUCATION**

Ms. DANN-MESSIER. Thank you very much. Good afternoon, Chairman Akaka and Ranking Member Johnson. Thank you for the opportunity to appear before you today to discuss what the United States Department of Education is doing to help Americans improve their ability to make informed financial decisions.

The Department of Education remains committed to doing its part in its own programs and in coordination with others to help elementary, secondary, post-secondary, and adult students develop the knowledge and skills needed to make sound financial decisions for themselves, their families, and their communities.

As you know, President Obama has set an ambitious goal. By 2020, America will once again have the highest proportion of college graduates in the world. He has called this our No. 1 economic issue of our time, declaring the countries that out-educate us today will out-compete us tomorrow. So when we think about the role of the United States Department of Education in empowering Americans to make informed financial decisions, helping students and families navigate the decision to invest in higher education is front and center for us.

As Secretary Duncan has said, we think financial education should happen at least as early as kindergarten and continue

<sup>1</sup> The prepared statement of Ms. Dann-Messier appears in the appendix on page 50.

throughout a student's time in school. With that in mind, I am pleased to provide a review of our financial education efforts.

Our Office of Innovation and Improvement (OII) continues to administer the Excellence in Economic Education Program, which supports national, State, and local efforts to improve student performance in economics, personal finance, and entrepreneurship. In 2010, the Council awarded subgrants to 94 projects spanning 41 States for activities such as conducting teacher training and program evaluation. One example, Mr. Chairman, is the work of the Junior Achievement in Honolulu, Hawaii, connecting schools with local businesses to help teachers improve students' understanding of economics and personal finance. Another example is the Lakeland College Center for Economic Education in Plymouth, Wisconsin. They have established an economics and financial education curriculum at a Milwaukee public charter school that enrolls more than 600 students from preschool through grade eight.

In July, I discussed the Department's doubling of its commitment to financial literacy in Fiscal Year (FY) 2010 by reprogramming \$1.7 million from the Data Quality Initiative to create the new Financial Education for College Access and Success Program. This grant was made to the Tennessee Department of Education to develop, implement, and evaluate the effectiveness of personal finance, instructional materials, and corresponding teacher training materials.

Our proposal to reauthorize the Elementary and Secondary Education Act of 1965 includes \$246 million for effective teaching and learning for a well-rounded education. This broader program would replace several often narrowly focused programs with a single authority supporting efforts to strengthen instruction and improve student achievement across multiple subject areas, including economics and financial literacy. The funds would be awarded competitively to States, high-need local education agencies, and other entities. This amount is \$20.1 million, or a 9-percent increase over levels of the 2010 appropriations for the programs consolidated under this broader framework. We see this program as a cornerstone of our focused and flexible approach for Federal K through 12 funding.

Our TRIO programs are also geared toward helping individuals from disadvantaged backgrounds to enter college and post-secondary education. This year's applicants for Talent Search, one of the TRIO programs, were required in their projects to provide connections to services designed to improve financial and economic literacy.

Also, our National Center for Education and Statistics (NCES) is developing tools to help students and families identify the actual costs of higher education as they plan for college costs. Later this year, pursuant to the Higher Education Act (HEA), NCES will unveil a new College Affordability and Transparency Center to provide information on post-secondary institutions, public tuition, and net prices, ranked from high to low, indicating which institutions' prices are climbing fastest.

The efforts undertaken by our Office of Federal Student Aid (FSA) represents our largest and most focused investment at helping families to pay for post-secondary education. We estimate we

provide over \$155 billion this year in grants, loans, and work-study, but we still have a lot of work to do to help ensure all of our students see higher education as a realistic goal, as something they can afford to do, even if their parents never went to college. Students can see how much Federal student aid they receive by completing our Free Application For Student Aid (FAFSA), and we have worked hard to make this process easier for students. We have eliminated over 20 questions, removed two-thirds of the screened applicants, and they now automatically can import their tax information from the Internal Revenue Service (IRS).

Finally, I would like to highlight the financial literacy initiative we are working on with other Federal agencies. Last year, the Department had ongoing conversations with the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) to discuss the ways that we can work together on our shared literacy goals, and I am pleased to report that in November 2010, Secretary Duncan signed a new interagency agreement with these two agencies and we are off to a strong start. We look forward to our continued work with these agencies on empowering Americans to make informed financial decisions and to identify additional ways to work with our colleagues throughout the Federal Government.

Thank you, Mr. Chairman, thank you, Ranking Member, for your leadership on this important issue and I am happy to answer any questions.

Senator AKAKA. Thank you for your testimony. Director Schock, please proceed.

**STATEMENT OF LORI J. SCHOCK,<sup>1</sup> DIRECTOR, OFFICE OF INVESTOR EDUCATION AND ADVOCACY, U.S. SECURITIES AND EXCHANGE COMMISSION**

Ms. SCHOCK. Thank you, Chairman Akaka and Ranking Member Johnson. My name is Lori Schock and I am the Director of the Office of Investor Education and Advocacy (OIEA) of the United States Securities and Exchange Commission. Thank you for the opportunity to testify today about the SEC's efforts to improve the financial literacy of individual investors throughout the United States.

Our office administers the SEC's nationwide investor education program. OIEA provides a variety of services and tools to address the problems and questions that individual investors may face. We conduct educational outreach, assist with investor complaints and questions, and facilitate individual investors in bringing their perspectives to the Commission and its staff. Today, I would like to describe for you briefly some of the specific programs that we use to support our mission to educate U.S. investors.

In October 2009, the SEC launched investor.gov, its first ever website focused exclusively on the retail investor and investor education. Earlier this month, we relaunched investor.gov with a new design and additional information in an even more user friendly format. Investor.gov also offers tools and materials targeted to in-

<sup>1</sup> The prepared statement of Ms. Schock appears in the appendix on page 55.

vestors who may face particular investment needs, such as members of the military, teachers, and retirees.

For those investors who prefer to have print publications, we continue to offer these materials, as well. Some of our brochures are targeted to specific audiences, such as senior guides. Some are more topical, like our guide on stopping affinity fraud, while others are product specific, such as our brochure on variable annuities. All of our print publications are available in both English and Spanish. Our materials are also available free of charge and are not copyrighted so that the widest possible dissemination is encouraged.

Another way the SEC reaches out to individual investors is through investor alerts and bulletins. In the past year, we published alerts and bulletins on a variety of subjects, including stock trading basics, margin rules, pre-IPO investor fraud, and investment scams related to BP payouts. We issued a number of joint alerts, including one on target date funds with the Department of Labor and another on leveraged ETFs with the Financial Industry Regulatory Authority (FINRA).

The SEC also partners with other Government agencies, localities, and private sector financial education groups to reach investors. Two recent examples of our partnerships include the Outsmarting Investment Fraud Program, where we continue to work with the FINRA Foundation, AARP, and State securities regulators on a campaign designed to reduce investment fraud among older Americans. With our partners, we regularly participate in events to teach seniors how to identify common persuasion techniques used by con artists and how to protect themselves from investment fraud.

The second program is the SEC Graduate Program, where we work with the NYSE Euronext on professional development programs designed to help educators teach students about the financial marketplace and its importance in their lives and the global economy. Last July, more than 30 educators from across the country attended the inaugural SEC Graduate Program, a 4-day workshop that focused on the securities market, investor protection, and the Federal Government's oversight role.

In addition to our participation in various programs, the SEC through my office responds to tens of thousands of complaints and questions from individual investors every year. Our efforts to facilitate informal resolutions of complaints often succeed. In appropriate cases, OIEA refers complaints to other offices or divisions within the SEC, including the Division of Enforcement, or to State or other Federal regulators.

Investor testing is another important component of our program. We are currently conducting investor testing to examine the effectiveness of certain SEC mandated disclosure documents in communicating useful information to individual investors. The study will also serve as a predicate for a significant portion of a separate study regarding the financial literacy among investors as mandated by Section 917 of the Dodd-Frank Act. That provision calls for the SEC to identify the existing level of financial literacy among retail investors, methods to improve the timing, content, and format of disclosures, and the most effective existing private and public efforts to educate investors. Section 917 requires us to deliver a final

report to Congress in July 2012. Because the report requires us to focus on the financial literacy of investors as opposed to financial literacy more generally, we believe the study has the potential to arm us with a great deal of valuable data about individual investors in the United States.

As the Committee recognizes, improving financial literacy is an important goal that can empower individual investors to participate in the financial markets and to secure their financial futures. Thank you for the opportunity to appear here today. I would be pleased to answer any questions you may have.

Senator AKAKA. Thank you very much, Ms. Schock.

Director Wright, will you please proceed.

**STATEMENT OF JOSHUA WRIGHT,<sup>1</sup> ACTING DIRECTOR, OFFICE OF FINANCIAL EDUCATION AND FINANCIAL ACCESS, U.S. DEPARTMENT OF THE TREASURY**

Mr. WRIGHT. Chairman Akaka and Ranking Member Johnson, thank you for the opportunity to appear before you today on a topic of critical importance to the Administration, the Department of Treasury, and our Nation, empowering Americans to make better informed financial decisions. I want to especially thank you, Chairman Akaka. You have been a tremendous champion for financial empowerment of all Americans.

All Americans, regardless of income and level of educational attainment, must have appropriate consumer financial protections, be equipped with financial knowledge and skills, and have financial access to make informed decisions in an increasingly complex financial marketplace. The future financial prosperity of our citizens and Nation depend in part on the ability of Americans to make these informed financial decisions.

My testimony will include an update on the activities of the Financial Literacy and Education Commission, the President's Advisory Council on Financial Capability (PACFC), and Treasury's own Financial Education and Access Initiatives. All these efforts aim to improve the financial literacy and financial access and promote the economic stability of all Americans.

Treasury is honored to serve as the lead agency for the Commission and to report on the Commission's activities. I want to thank the members of the Commission that are here today for all of their continued efforts. The Department of Education, the Securities and Exchange Commission, as well as the implementation team for the Consumer Financial Protection Bureau have all been great partners. The Commission has been leveraging our unique resources in working together to better equip Americans with the necessary financial knowledge and skills.

Recently, the Strategy for Assuring Financial Empowerment Report (SAFE), which is a summary of the Commission's activities, was submitted to the Senate Banking, Housing, and Urban Affairs Committee and the House Financial Services Committee to inform members and the public of the Commission's activities. My testimony includes several highlights from the report. I respectfully request that the SAFE Report be included in today's hearing record.<sup>1</sup>

<sup>1</sup> The prepared statement of Mr. Wright appears in the appendix on page 63.

The Fair and Accurate Credit Transactions Act (FACT Act) requires the Commission to develop a national strategy to coordinate Federal efforts and promote basic financial literacy and education among all Americans. In July 2009, the Commission convened a special meeting to review its approach to carrying out its purpose and rule. Subsequently, Commission members set up a working group to craft a new national strategy, which is titled Promoting Financial Success in the United States: A National Strategy for Financial Literacy 2011. The Commission undertook a comprehensive and inclusive process in creating this new strategy.

The new national strategy provides a road map for organizations providing financial education and provides goals to help guide America toward financial well-being. Treasury, in conjunction with the Commission members, is developing the implementation plan for the new national strategy. This includes Treasury engaging with Commission members to develop implementation plans specific to the constituents they serve.

The new national strategy and its implementation plan will address many of the comments about financial literacy from the Government Accountability Office report, Opportunity to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue. This was published in March 2011. But let me take this opportunity to comment further on the report.

Educating Americans to be more financially literate is a difficult challenge and requires the attention of many agencies. The Federal entities engaged in financial literacy often have different missions, constituencies, and expertise which can and should be leveraged to deliver optimal financial literacy education and access. Just a few examples of the Federal entities that have financial education programs provide a window into understanding the need for this varied yet integrated approach. An example of these essential efforts include investor education provided by the SEC, promoting financial literacy among students provided by the Department of Education, housing counseling provided by HUD, military personnel educational initiatives provided by the Department of Defense to ensure financial readiness of our troops.

In addition, the new Consumer Financial Protection Bureau will have a special focus on educating consumers and will assume the Vice Chairmanship of the Commission. Treasury will continue to work with the CFPB to clearly delineate the roles of both entities. Bringing these various approaches together to complement rather than duplicate efforts is a key role of the Commission, and we believe taken seriously by all member agencies.

On January 29, 2010, the President signed an Executive Order which created the President's Advisory Council on Financial Capability. The Council is tasked with recommending methods to coordinate and maximize the effectiveness of existing private and public sector efforts and identify new approaches to increasing financial capability through financial education and financial access. Treasury is coordinating efforts between the Council and the Commission.

---

<sup>1</sup> The Report submitted by Mr. Wright appears in the appendix on page 114.

I will now briefly discuss the highlights of the Treasury's specific financial education and access efforts. In conjunction with the Community Development Financial Institutions (CDFI) Fund, the Treasury has been implementing the Financial Education and Counseling (FEC) Pilot Program to provide competitive grants to promote financial education and counseling to prospective home buyers. The effort is aimed to ensure that working families have the financial knowledge required to effectively prepare for and evaluate housing choices. The CDFI Fund made a second round of awards in this program in October.

Treasury's Electronic Payment Initiative continues with the expansion of disbursement of Federal electronic payments through a GoDirect and Direct Express debit card MasterCard program. When fully implemented, these initiatives would save the Federal Government over \$500 million in 5 years and provide basic financial access to many benefit recipients. Individuals receiving Federal benefit payments who do not have an account at a financial institution or who prefer to receive their payments on a prepaid debit card can receive a Direct Express card. This card is a safe, convenient, and consumer-friendly way for benefit recipients to receive payments and safely manage their benefits.

Treasury is also currently conducting a Tax Time Account Pilot. This pilot has the potential to improve tax administration and provide basic financial access. The pilot has the potential to streamline the tax administration process, save the Government money, and deliver tax refunds in a faster, more efficient manner.

Chairman Akaka, your work in authorizing Title 12 of Dodd-Frank will provide opportunities for increased financial access for the unbanked and underbanked. Our most significant proposed initiative utilizing the authority provided in Title 12 is Bank On USA. The program is designed to bolster local and private sector initiatives to ensure low-and moderate-income individuals have access to safe financial services and products as well as financial education.

The Office of Financial Education and Financial Access, in conjunction with the CDFI Fund, is working with financial institutions, community-based organizations, community development and financial institutions, credit unions, financial education providers, and local government officials to ensure that Title 12 is quickly implemented once funding becomes available. These programs will include financial access, financial education, as well as efforts to spur new products and services that will better meet the needs of the unbanked and underbanked.

We are developing the necessary infrastructure to support community-based efforts intended to increase financial access. Although we have begun these initial steps, appropriated resources are necessary to fully implement all the proposed activities that are envisioned to utilize the authority in Title 12.

American families are focused on building more secure financial futures for themselves and they desire a fair, stable financial system as well as the skills and access needed to navigate a complex financial marketplace. Treasury looks forward to working with this Committee and others to improve the financial capability of all Americans.

Thank you again, Mr. Chairman and Ranking Member Johnson, for the opportunity to appear before you today.

Senator AKAKA. Thank you very much, Director Wright.

Now, we will hear from Director Petraeus. Please proceed.

**STATEMENT OF HOLLISTER K. PETRAEUS,<sup>1</sup> DIRECTOR, OFFICE OF SERVICEMEMBER AFFAIRS, CONSUMER FINANCIAL PROTECTION BUREAU**

Mrs. PETRAEUS. Chairman Akaka, Ranking Member Johnson, thank you for the opportunity to speak with the Subcommittee today about the importance of financial education for servicemembers and their families.

I come from a military family. I am an Army daughter, sister, wife, and mother. I have seen the problems that can arise from too much month and not enough money, and I have also seen the devastating impact financial scams and predatory lending can have on servicemembers and their families. Unfortunately, too many troops still learn about wise spending through hard experience and years of paying off expensive debt rather than through an effective financial education class.

As a Senior Family Readiness Group Advisor at Fort Campbell, Kentucky, during the first year of the Iraq War, I saw the unforeseen financial problems that came with deployment. In 2004, I became the Director of BBB Military Line, providing consumer education for military families, a position that I held for 6 years. While with the BBB, I guided development of 6 adult financial workshops and wrote a monthly military consumer newsletter to over 3,000 subscribers.

This January, I was asked to join the Consumer Financial Protection Bureau and set up the Office of Servicemember Affairs. My office is assigned the responsibility to, quote, "educate and empower servicemembers and their families to make better informed decisions regarding consumer financial products and services." I consider this a high priority. In my years working with servicemembers and their families, I have seen them victimized by scams that might have been avoided if they knew the red flags of a bad deal. Many of them are in over their heads with expensive car financing and other costly loans, and the military has not been immune to the housing crisis, either. Many servicemembers who thought home ownership would be a good thing are now locked into mortgages in some of the worst-hit States, where houses have declined significantly in value.

The financial well-being of our military personnel is not just an issue of dollars and cents. Financial problems can be a dangerous distraction for our troops and are the No. 1 cause of lost security clearances. Personal financial readiness equates to mission readiness, and a vital component of personal financial readiness is a sound financial education.

Since I became the Director of the Office of Servicemember Affairs, I have been reaching out to the military to get input on how to make financial education work best for them. In late January, Professor Warren and I had two roundtable discussions at Joint

<sup>1</sup> The prepared statement of Mrs. Petraeus appears in the appendix on page 69.

Base San Antonio, Texas, and there are more trips to military bases planned in the next month.

In San Antonio, the military financial counselors told us they were concerned about military debt, telling us that the average trainee arrives at their base already over \$10,000 in debt. They spoke of the need for followup financial education after basic training. The military personnel and spouses we spoke with at the second roundtable felt strongly about the need for continuing financial education throughout a career, both for their own personal education and to help them be better leaders. The entire group thought that financial training should be mandatory.

I agree with them that continuing financial education must have a central role in protecting the financial future of military families. I have already met with the Deputy Assistant Secretary of Defense for Military Community and Family Policy, who oversees financial literacy programs within the Department of Defense. I will work with the Pentagon, Veterans Service Organizations, and industry to identify and field the most effective financial education.

No amount of prosecutors can stop every scammer or predatory lender, so we must provide the right tools to servicemembers so they recognize the red flags and make sound financial choices.

I am committed to ensuring that we not reinvent the wheel and duplicate what has already been created. We will work to identify what techniques and materials work best and then apply them. We need to capitalize on the teachable moments, which may vary at different times in a military career. What is pertinent to a new soldier shopping for his first car may not be relevant to a 20-year lifer contemplating buying a house. We will work on engaging our students and developing metrics to engage the effectiveness of what we have taught, and we will keep tweaking it until we get it right.

In conclusion, the Office of Servicemember Affairs is already working hard to ensure that servicemembers and their families, who devote their lives to protecting our Nation, will have a strong advocate to help protect them from financial threats. We will work with the military, the public sector, and the business community toward the goal of every military family being a financially-educated family that is armed with the knowledge of how to avoid scams and poor financial decisions and willing and able to invest toward long-term financial goals.

Thank you for the opportunity to testify before the Committee today and I welcome any questions that you may have for me.

Senator AKAKA. Thank you very much, Director Petraeus.

This question is for all of the witnesses. A recent GAO report found that Federal financial literacy activities may be fragmented and recommended greater coordination of efforts. I would like to invite each of you to comment on this finding.

Mr. WRIGHT. Thank you for the question, Senator Akaka. It is pretty clear that financial literacy and education is conducted in a number of agencies across the Federal Government. The report that we commissioned by RAND actually found that there is very little duplication across those efforts, but they do happen in lots of different places. And as I said in my testimony, we actually feel that we are leveraging the unique expertise and functions and outreach to constituents that these different agencies have, and so it

makes sense that the Department of Education would be trying to educate students, that the Department of Defense would be focused on military readiness, that the FDIC would be providing the Money Smart curriculum that can be used by educators across the country, and that the SEC, for example, is focused on investor education.

As a Commission, we need to continue to have our efforts focused on making sure there is not duplication in that. We need to leverage things like the mymoney.gov website to provide a sole location for people as an entry point to find out information, unbiased information that the Federal Government provides around curriculum and as we learn in the future what works and what does not.

We are still making efforts to try and really determine what works in terms of outcomes. It is easier to measure what the inputs are. It is much harder to measure what the outcomes are, particularly when you are talking about behavior change. And so the Financial Literacy and Education Commission actually has two very interesting subcommittees connected to this. One is that we now have a Research and Evaluation Subcommittee that is focused on talking about the research efforts that we are funding across the Federal Government and really trying to focus those efforts in on figuring out what truly does work, what is absolutely best, and then the other is a Financial Access Subcommittee which is focused on thinking about how the different agencies and touchpoints they have can help the unbanked and underbanked. Thank you.

Senator AKAKA. Thank you.

Ms. SCHOCK. Well, why don't I segue into what the SEC does. We are very unique in the fact that we are the only Federal agency that is charged with and focuses on investor education, and we think that because of the expertise that we have at the Commission—the people who wrote the rules work at the SEC, it is a very complex area—and so in order to distill these complex financial products and concepts into something that is meaningful for individual investors, that the SEC is best positioned for investor education.

We do work through FLEC and we work with Federal agencies where we intersect. I talked about the joint alert that we did with the Department of Labor. They have oversight over 401(k) plans, but one of the products that was in there were these target date funds that we have jurisdiction over. So we worked together to put out this joint investor bulletin to talk about target date funds and what we saw that was happening with them.

As far as working together with FLEC, we are on the Subcommittee for Research and Evaluation because we, too, believe that we need to have meaningful metrics in place to show that our messages do have consequences and behavior change—positive behavior change is taking part as a part of those messages.

Ms. DANN-MESSIER. Mr. Chairman, at the Department of Education, we really agree that we need to do a better job of coordinating our efforts and really target our resources and do fewer things better, and that is why we are proposing to consolidate the seven narrow programs, including some of our financial literacy efforts, into a much larger program. But we will keep a focus on eco-

conomic and financial literacy, but we really think that it is just good Government policy, to do a better job of coordinating our resources.

Senator AKAKA. Thank you very much, Assistant Secretary Dann-Messier. Mrs. Petraeus.

Mrs. PETRAEUS. Mr. Chairman, I do agree certainly that coordination and consultation is very important. I will reiterate that the Director of the Consumer Financial Protection Bureau will be the Vice Chairman of the FLEC, so our intent is to work very closely with them to be sure that we coordinate our efforts and that we consult with them.

From my office specifically, we are authorized to enter into agreements with the Department of Defense to be sure that we are working in tandem and that we are coordinating what we do, and I have already—I mentioned that I had spoken with the Deputy Assistant Secretary of Defense for Military Community and Family Policy, but I have also spoken with his counterpart with Wounded Warrior Care and Transition Policy so we can also coordinate with that office for the needs of transitioning servicemembers.

Senator AKAKA. This question is for Assistant Secretary Dann-Messier. I have worked on the Excellence in Economic Education Program (EEE), which funds financial education projects in classrooms. The Hawaii Council on Economic Education is one of many subgrant recipients who have done great work with these funds. Additionally, the Native Financial Education Coalition has indicated that EEE can help meet the need for increased financial literacy in Native communities. For example, a EEE subgrant enabled a study that examined the financial literacy of Native American high school students in Montana, New Mexico, and South Dakota. Would you please discuss how EEE funding has benefited Native communities and how it can help reduce the disparity in Native and non-Native financial literacy.

Ms. DANN-MESSIER. Certainly, Mr. Chairman. I am happy to do that. I just also wanted to remind you that I was formerly the President of a nonprofit adult and family learning center in Providence, Rhode Island, and we served the underserved and low-income communities, and I know from my own professional and personal experience the importance of financial literacy. So the initiative certainly from the Excellence in Economic Education Program and its work with Native communities has been very, very, very important to make sure that they have all the financial literacy information that they need to fully participate in our society.

We think those efforts need to continue and we need to focus on reaching all of the underserved populations across our country so that they are not harmed by predatory practices and really can save enough money for themselves and their families, whether it is to buy a home or to go on to college. So we very much support those efforts and plan to continue those efforts and really understand the importance of embedding financial literacy in all of our educational programs so that everybody has that knowledge and information. Thank you.

Senator AKAKA. Thank you very much for your response. Senator Johnson.

Senator JOHNSON. Thanks, Mr. Chairman.

I would like to thank all of you for your efforts here again. This is important. In particular, Mrs. Petraeus, I would really like to thank you for the sacrifice you and your family and your husband have made to this Nation. I had the real privilege of meeting your husband on a trip to Afghanistan, so it is nice to meet you here.

Just a quick question to all of you. I will throw it out there. As I was questioning Mr. Dodaro, were you wanting to answer any of those questions at all? I will first make that offer. [No response.]

OK, not a problem. Certainly, I was trying to get to the bottom of what does this cost. I am hoping maybe within your agencies you have some sort of feel, so I will just kind of go down the line. Can you tell me approximately what, for example, the Department of Education is spending on its financial literacy efforts?

Ms. DANN-MESSIER. Well, I can point to two initiatives. We are spending \$1.7 million on a new initiative. We are giving funds to the State of Tennessee to develop teacher preparation programs and teacher materials for students. We also are spending \$1.4 million on the Excellence in Economic Education, so that is \$3.1 million. I am sure there is additional funding, but I do not have the exact figure. I am happy to get it back to you, Senator Johnson, but those are the two examples I can give you.

Senator JOHNSON. So are you kind of thinking it is maybe in the millions? Tens of millions? I mean, is it a relatively small amount in the Department of Education, or—

Ms. DANN-MESSIER. I would rather get back to you with that figure so I do not mislead you. Thank you.

Senator JOHNSON. OK. Ms. Schock.

Ms. SCHOCK. If we include staffing costs as well as program costs for all of our programs—that includes handling investor complaints and questions, educational outreach, and then having input into policy matters at the SEC—we are under \$10 million a year.

Senator JOHNSON. OK.

Mr. WRIGHT. In the Office of Financial Education and Financial Access, in 2010, we spent \$2.1 million. The Financial Education Counseling Pilot Program was a \$4.3 million grant program. But it is also hard to tell some of the numbers because you take things like our Direct Express program and electronic Treasury efforts and that has a financial education component and actually over 5 years will save the Government \$500 million. So there are different numbers and it depends on how much you want to be focused specifically on education within a program versus the other components of the program.

Senator JOHNSON. OK.

Mrs. PETRAEUS. Since we are a new agency, I obviously have no figures for you. We are just standing up and we are in the process of building our budget, so I have no figures at this time.

Senator JOHNSON. OK. Mrs. Petraeus, I would kind of like to use you to get into some other issues, just in terms of you standing up this program. I particularly appreciate the fact that you said you do not want to reinvent the wheel here. So as you are trying to determine, first of all, what needs to be taught, I mean, have you already gone down the list within the military in terms of these are the core competencies, these are the subject areas that need to be taught to our troops?

Mrs. PETRAEUS. No, we are not at that point yet. Right now, again, we are an agency in the process of being created. What I am doing right now is really listening and talking to the military very informally and hearing often from the mouths of servicemembers themselves and their spouses what they think is important.

Senator JOHNSON. Do you have an idea of where you are going to go to access curriculum that is already developed or the best practice teaching methods for some of these things?

Mrs. PETRAEUS. I would say that we are in the process of hiring staff, and one person within my office will be someone to look at those programs more closely to see exactly what are the ones that we think that will work the best with the military. So right now, we are not, again, at that point where we have a road map, if you will, of where we are going to go.

Senator JOHNSON. OK. Mr. Wright, you mentioned mymoney.gov. Is that the kind of a go-to site that could provide Mrs. Petraeus with that kind of information?

Mr. WRIGHT. That site has many links to the various Government programs, including the military's current website about providing financial education to the troops. We are in regular conversation with the Consumer Financial Protection Bureau implementation team about as they are standing up the agency and figuring out what direction they want to go in and how they are going to do that, we are in constant conversation to make sure there is not duplication.

So my money does provide an opportunity for a starting point and there are curriculum out there. I think there still will be efforts within each part of the CFPB to figure out, do those existing curriculums really meet their constituents' needs.

Senator JOHNSON. Is that a kind of goal of the overall FLEC in terms of developing a centralized clearinghouse for these best practice teaching methods?

Mr. WRIGHT. Yes. There is actually—part of mymoney's future upgrades is a research clearinghouse which would actually be, as this research comes online about what is being, what works most effectively at changing behaviors, the mymoney will have a clearinghouse that provides a central location for people, both educators and individuals as well as researchers, to go and see what research is out there and what actually works.

Senator JOHNSON. OK. So that is research—would that be the same thing, though, as a clearinghouse for best practice? I mean, this is how you teach taking out a mortgage in an efficient manner—

Mr. WRIGHT. Well, best practice, I think, needs to be connected to research, right, because you do not want to—you are not just testing whether the person gets the answer right about how to do that. You actually want to see, do they carry out the behavior change. So those two are linked and best practice—figuring out what best practice is should be driven by quality evaluation and research.

I would kind of like to ask, do you actually reach the targeted audience? I mean, on the one hand, in terms of education, it is pretty obvious. You teach in the schools. In the military, you taught to the troops. The SEC has websites in terms of investors

being able to go to. But when you start talking about things like teaching financial literacy to general consumers, to people that are shopping for a mortgage, I mean, is that not far more difficult to try and target and get information to those folks? I mean, what is the strategy behind that?

Ms. SCHOCK. We have adopted the strategy of going where the investors are already gathered. So instead of holding town hall meetings where we are picking up the cost and expense of trying to drive people to a meeting, we go to other conferences and events where we know that investors will be there who would be receptive to our message.

Mr. WRIGHT. We generally have a philosophy of trying to be relevant, timely, and actually connected to the product or decision that needs to be made. I think the Financial Education Counseling Pilot is a good example of this, trying to really work with prospective home buyers to educate them about the home purchase decision so that they make the—they improve their credit scores, they start budgeting, but also is focused on making that home purchase decision and figuring out if purchasing a home is the right thing for them. Sometimes it is the right thing, sometimes it is not. So relevant, timely, and connected to product and decision.

Senator JOHNSON. OK. Well, again, thank you all for coming here.

Senator AKAKA, I am going to have to go to another appointment. Thank you very much for holding this hearing. This is, again, a very important subject, so aloha.

Senator AKAKA. Thank you so much for being a part of this hearing, Senator Johnson.

Director Schock, I worked to include a provision in the Dodd-Frank Act that requires the SEC to conduct a study of financial literacy among retail investors and to work with FLEC to increase investor financial literacy. How has the study progressed thus far, and what steps must be taken to implement a strategy that brings about positive changes in investor behavior?

Ms. SCHOCK. We are very excited about the investor literacy study under Section 917 of the Dodd-Frank Act. We think that it will provide valuable data to the SEC as well as to our colleagues at the FLEC to help bring about more informed investment decisions.

At this point in time, we have a plan in place. That project plan is ready to go. We also hope to publish information in the Federal Register for public comment regarding the best public and private efforts to educate investors. And then, also, we have been sort of doing a study of studies that have been done in the past.

But I will be honest with you, Senator. It is a matter of funding at this point in time. We sort of are ready for gold level, silver level, or bronze level implementation of our project plan, and so if we have full funding for our study the way we would like to have it done, I think we would have a very robust study to submit to Congress in July 2012. Should the funding levels fall or if we do not have any additional money from our 2010 levels, that will impact the depth that we are able to do and we may end up doing a study of studies.

Senator AKAKA. Thank you.

Director Wright, Title 12 of the Dodd-Frank Act was based on my Improving Access to Mainstream Financial Institutions Act. Title 12 authorizes initiatives to improve financial access and empower the unbanked and underbanked. Will you please discuss the status of implementing Title 12. What challenges must be overcome to expand financial access for the underbanked?

Mr. WRIGHT. Thank you for that question, Senator Akaka. We are right now in the process of planning out the Bank On USA Program, which is our signature program under Title 12 that uses those authorities. The President has money in the 2011 budget as well as the 2012 budget for Bank On USA, and right now, we are currently setting up the infrastructure to move forward with that program, but we will not be able to fully implement it until we have appropriations.

So currently, we are working on making sure that we have in place the robust data gathering tools that we can use and work with banks figuring out ways to make sure that communities have the right tools to assess how they should best undertake the Bank On Program, as well as creating websites where participants in the Bank On USA Program can share information and knowledge about best practices. But really, to move forward with both Bank On USA and any efforts around small dollar loan alternatives for predatory small dollar loans, we really need appropriations.

Senator AKAKA. My next question is for Director Petraeus. Individuals' financial literacy needs change continuously throughout the stages of their lives. How must financial education and advice change based on where servicemembers are in their careers?

Mrs. PETRAEUS. Well, I think you are absolutely right. There are different teachable moments at different times. I think it is important that you do reach military personnel at the very beginning of their service. Sometimes the message can be as simple as, I always joke and say, that good-looking girl in the kiosk at the mall is not there to be your girlfriend. She is there to sell you something very expensive. Or, do not ask what my monthly payment is. Ask what is the total cost I am paying for this computer that I am buying, or this hot new car that I am buying. Later in a career, it may be a decision about buying a home or even a decision about whether or not to transition out of the military, and then there are going to be other things that need to be taught.

We have heard from servicemembers themselves that just having it in basic training is not enough. Basic trainees are usually tired, stressed, not really focusing on what they are hearing. You need to have something in there, but then you need to continue it, at the basic non-commissioned officer course, the advanced non-commissioned officer course, some of the more senior schools. And a good way to reach people is to tell them, we need you to know this so you can teach your soldiers this, as well. Then they are very much more open to hearing that.

So I think there are different approaches, different teachable moments, and we need to be sure we are teaching the right thing to the right group at the right time.

Senator AKAKA. I worked to establish the Office of Financial Education within the Consumer Financial Protection Bureau. The CFPB should have a consumer education focus. Please explain the

relationship between FLEC, the CFPB, and Office of Financial Education. What role will the CFPB and OFE have in FLEC?

Mr. WRIGHT. So the Treasury Department will continue to be the chair of FLEC, and it is very intentional, as you know, in the legislation that the CFPB becomes the Vice Chair. And so we will continue to work very closely together to make sure that our efforts are coordinated and not duplicated between our offices as well as with the other FLEC members.

The Treasury will continue to remain focused on coordinating the FLEC overall, taking advantage of its unique position to test out innovative products that connect education and access together, and the CFPB, as you said, will have a focus on really educating consumers, and it is still being determined, the best way to do that, as they stand up the office.

Mrs. PETRAEUS. I will just add that we brought on yesterday, we now have an Associate Director for Education and Engagement, and her name is Gail Hillebrand. She has a long experience with Consumers Union, very experienced in consumer issues. Again, she just started yesterday or she might be sitting here talking to you instead of me.

Senator AKAKA. Assistant Secretary Dann-Messier, an increasingly common product on college campuses is the student loan debit or credit card. These loan cards may have high or hidden fees that harm student borrowers. How can we ensure that students fully understand the risks of these products?

Ms. DANN-MESSIER. Mr. Chairman, it is really what we have been talking about all afternoon, and it is making sure that all our students have all the financial literacy information that they need in order to make wise and informed decisions. And so that is part of the—it should be part of their discussion with the financial aid officers and with all of the counseling staff at the universities and colleges as they are entering into the institution as part of the admissions process, that they are informed about what resources are available, what resources are there to assist them, and that we direct them to the resources that they can take full advantage of that will not take advantage of them. So it is really a part of the financial literacy and counseling that we think needs to be part of the admissions process into higher education.

Senator AKAKA. Director Schock, in order to bring about a positive change in investor behavior, we must provide investors with the tools and information they need to make informed decisions. My provision in the Dodd-Frank Act authorizes the Commission to require specific disclosures about investment products be made at the point of sale. What must be done to ensure that these disclosures are meaningful and effective?

Ms. SCHOCK. We fully agree with you that these disclosures need to be made in the best interest of investors, and the best interest is at the time before they actually make the purchase. The disclosure needs to be clear, simple, and meaningful at or before the time of the purchase by the individual investor.

Unfortunately, Dodd-Frank sort of derailed that initiative at the SEC. We have not abandoned it, but we just have some other work that we need to get done on some set time lines. But we are still actively pursuing the point of sale disclosure because we do think

that it is a meaningful product of what we need and that investors need.

Senator AKAKA. Mr. Wright, with Hawaii's high cost of living, home ownership is a challenge for many families. In order to educate prospective home owners and promote responsible home ownership, I authorized and secured funding for the Financial Education and Counseling Pilot Program. How will you measure and evaluate the success of these demonstrations in providing a strong model for home ownership education, and counseling?

Mr. WRIGHT. Yes, in Hawaii, we have provided a grant to the Council for Native Hawaiian Advancement, and we have worked with the CDFI fund to make sure that there are very clear outcome measures, so looking at things like changes in people's savings rates or their increase in credit scores and how that then helps them to make the decision around home purchase. Now, that is a 3-year grant, so we will be tracking that over time and actually working with GAO on that project to make sure that the evaluation is thorough and we understand the outcomes.

Senator AKAKA. Thank you. Director Petraeus, today's operational tempo means that servicemembers are gone for extended periods of time. Many spouses must assume full responsibility for managing the family's budget. What more must be done to ensure that spouses are prepared for this important task?

Mrs. PETRAEUS. I think that is a very valid concern and a very good question. Many of the spouses are young and they may not have learned financial literacy at home, so it is important to reach out to them. I think the difficulty is, unlike the military member, you cannot order the spouse to come to class, but I think there are some things you can do.

There is a great deal of success now reaching the spouses online. A lot of units have what is called a Virtual Family Readiness Group (FRG) when a unit deploys that is online and families use it because they are interested in getting the information about what the unit is doing overseas. In fact, as a military mother, I will tell you that I used the Virtual FRG for my son's unit while he was deployed to Afghanistan. And I think there is a possibility, maybe, to tie some financial education into that venue, where you might be able to reach the spouses who are not apt to come onto base and participate in activities, but truly need that assistance and that education on good, smart financial management, or at the very least, where to go for help.

Senator AKAKA. Mr. Wright, I authored the Taxpayer Abuse Prevention Act to increase safeguards against harmful refund anticipation loans. I am pleased that the IRS has eliminated the debt indicator and that regulators have acted against unsafe and unsound refund anticipation loan practices. I believe we must build on this progress and continue to empower taxpayers. How is Treasury working to improve financial access for low-and moderate-income taxpayers?

Mr. WRIGHT. We have a number of efforts. One is related to research, so we just released recently a report done by the Urban Institute in conjunction with the IRS that looks at the use of refund anticipation loans across a number of factors. As we look to provide alternatives to people to refund anticipation loans, we want to

make sure that we do that in a way that does not harm them as refund anticipation loans are removed from the market. So that report and research is the first step.

In addition, I think the IRS's effort to get rid of the debt indicator was a big step, and their ongoing efforts to license and require examination for preparers is also going to be very helpful in making sure that we have qualified preparers.

In addition, Treasury has to provide, over time, choices for people at tax time. There are a couple examples of this already. One is the opportunity to put your tax refund into a savings bond to actually save at tax time. This is the second year that has been in effect and already the numbers show that people using that functionality is growing.

And then, second, we are piloting a tax time account. We mailed out offers to 800,000 individuals across the country. People are enrolling in using that account and we will learn from that pilot to figure out the best way to provide an account in the future, integrate it into the tax return process. And that pilot and the study that will go along with that will be one of the factors to determine how best to do that and the timing under which to do it.

And then the last thing is that we need to continue to make improvements to speed up the process for people to get their refunds. So the faster someone can get their refund, the less likely they are to need a refund anticipation loan and the less value a refund anticipation loan will have. I will say that we are optimistic that we will see the number of refund anticipation loans fall drastically because of some of the efforts that you mentioned around the debt indicator as well as the steps by the regulators.

Senator AKAKA. I want to thank all of our witnesses for being here today. Your testimony and your responses have been very valuable. I look forward to continuing to work with all of you as we seek to empower Americans to make informed financial decisions.

The hearing record will be open for 1 week for additional statements or questions other members may have.

I look forward to our continuing to make progress in financial literacy and that we will continue to celebrate this month of financial literacy. Thank you very much for your participation.

The hearing is adjourned.

[Whereupon, at 4:25 p.m., the Subcommittee was adjourned.]



## A P P E N D I X

GAO

United States Government Accountability Office

Testimony

Before the Subcommittee on Oversight of  
Government Management, the Federal  
Workforce, and the District of Columbia,  
Committee on Homeland Security and  
Governmental Affairs, U.S. Senate

For Release on Delivery  
Expected at 2:30 p.m. EDT  
Tuesday, April 12, 2011

### FINANCIAL LITERACY

### The Federal Government's Role in Empowering Americans to Make Sound Financial Choices

Statement of Gene L. Dodaro  
Comptroller General of the United States



GAO-11-504T



Highlights of GAO-11-504T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

### Why GAO Did This Study

Financial literacy plays an important role in helping ensure the financial health and stability of individuals, families, and our broader national economy. Economic changes in recent years have highlighted the need to empower Americans to make informed financial decisions, yet evidence indicates that many U.S. consumers could benefit from a better understanding of financial matters. For example, recent surveys indicate that many consumers have difficulty with basic financial concepts and do not budget.

This testimony discusses (1) the state of the federal government's approach to financial literacy, (2) observations on overall strategies for addressing financial literacy, and (3) the role GAO can play in addressing and raising awareness on this issue. This testimony is based largely on prior and ongoing work for which GAO conducted a literature review, interviewed representatives of organizations that address financial literacy within the federal, state, private, nonprofit, and academic sectors, and reviewed materials of the Financial Literacy and Education Commission.

While this statement includes no new recommendations, in the past GAO has made a number of recommendations aimed at improving financial literacy efforts.

View GAO-11-504T or key components. For more information, contact Alicia Puente Cackley at (202) 512-8678 or [cackleya@gao.gov](mailto:cackleya@gao.gov).

April 12, 2011

## FINANCIAL LITERACY

### The Federal Government's Role in Empowering Americans to Make Sound Financial Choices

### What GAO Found

Federal financial literacy efforts are spread among more than 20 different agencies and more than 50 different programs and initiatives, raising concerns about fragmentation and potential duplication of effort. The multiagency Financial Literacy and Education Commission, which coordinates federal efforts, has acted on recommendations GAO made in 2006 related to public-private partnerships, studies of duplication and effectiveness, and the Commission's MyMoney.gov Web site. While GAO's 2006 review of the Commission's initial national strategy for financial literacy found that it was a useful first step in focusing attention on financial literacy, it was largely descriptive rather than strategic. The Commission recently released a new strategy for 2011, which laid out clear goals and objectives, but it still needs to incorporate specific provisions for performance measures, resource needs, and roles and responsibilities, all of which GAO believes to be essential for an effective strategy. However, the Commission will be issuing an implementation plan to accompany the strategy later this year and the strategy will benefit if the plan incorporates these elements. The new Bureau of Consumer Financial Protection will also have a role in financial literacy, further underscoring the need for coordination among federal entities. Coordination and partnership among federal, state, nonprofit, and private sectors is also essential in addressing financial literacy, and there have been some positive developments in fostering such partnerships in recent years.

There is little definitive evidence available on what specific programs and approaches are most effective in improving financial literacy, and relatively few rigorous studies have measured the impact of specific financial literacy programs on consumer behavior. Given that federal agencies have limited resources for financial literacy, it is important that these resources be focused on initiatives that are effective. To this end, the Commission's new national strategy on financial education sets as one of its four goals identifying, enhancing, and sharing effective practices. However, financial education is not the only approach for improving consumers' financial behavior. Several other mechanisms and strategies have also been shown to be effective, including financial incentives or changes in the default option, such as automatic enrollment in employer retirement plans. The most effective approach may involve a mix of financial education and these other strategies.

GAO will continue to play a role in supporting and facilitating knowledge transfer on financial literacy. GAO will host a forum on financial literacy later this year to bring together experts from federal and state agencies and nonprofit, educational, and private sector organizations. The forum will address gaps, challenges, and opportunities related to federal financial literacy efforts. In addition, as part of GAO's audit and oversight function, GAO will continue to evaluate the effectiveness of federal financial literacy programs, as well as identify opportunities to improve the efficient and cost-effective use of these resources.

United States Government Accountability Office

---

Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee:

I am pleased to be here today to testify on this important topic during Financial Literacy Month. Senator Akaka, you first sponsored Financial Literacy Month in 2004 and have long sought to raise awareness of this important issue. I, too, believe that giving Americans the information they need to make effective financial decisions is key to their well-being, as well as to the economic health of our nation. As I stated during my confirmation hearing, I hope to use the unique position of the Comptroller General to promote greater awareness of the importance of financial literacy in the United States.

Financial literacy plays an important role in ensuring the financial health and stability of individuals and families, and economic changes in recent years have further highlighted the need to empower all Americans to make informed financial decisions. For example, the recent financial crisis revealed that many borrowers likely did not fully understand the risks associated with alternative mortgage products, resulting in substantial increases in defaults and foreclosures that continue to expose borrowers to financial risk and be a drag on the economy today. Moreover, many Americans face challenges in their ability to afford college or other postsecondary education. Students and families have several options for financing higher education, including federal and private loans and various tax preferences.<sup>1</sup> Financial literacy is key to helping ensure that Americans have adequate information to understand and choose wisely among these options, and that students are fully educated about their responsibilities to repay any loans. In addition to affecting consumers' individual well-being, ensuring sufficient financial literacy also has broad public policy implications. Consumers' understanding of and decisions about such matters as retirement planning or health insurance can affect our nation's policies on Social Security benefits, federal health care programs, and other pressing economic issues.

My statement today will discuss (1) the state of the federal government's approach to financial literacy; (2) observations on overall strategies for addressing financial literacy; and (3) the role GAO can play in addressing

---

<sup>1</sup>For example, see GAO, Higher Education: Multiple Higher Education Tax Incentives Create Opportunities for Taxpayers to Make Costly Mistakes, GAO-08-717T (Washington, D.C.: May 1, 2008).

and raising awareness on this issue. This testimony is based largely on selected prior work we have conducted on financial literacy.<sup>3</sup> In conducting that work, we had interviewed representatives of organizations that address financial literacy within the federal, state, private, nonprofit, and academic sectors. We had also reviewed documents produced by the Financial Literacy and Education Commission and benchmarked the Commission's national strategy against general characteristics of an effective national strategy that we had identified. This testimony also reports on some preliminary observations on the results of a literature review we are conducting on studies and papers related to the effectiveness of financial literacy and education efforts. In addition, we have reviewed the Commission's 2011 National Strategy for Financial Literacy. We conducted this work from July 2010 through April 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

There is no single definition for financial literacy, but it has previously been described as the ability to make informed judgments and to take effective actions regarding current and future use and management of money. Financial literacy encompasses both financial education and consumers' behavior as it relates to their ability to make informed judgments. Financial education refers to the processes whereby individuals improve their knowledge and understanding of financial products, services, and concepts. However, being financially literate refers to more than simply being knowledgeable about financial matters—it also entails utilizing that knowledge to make informed decisions, avoid pitfalls, and take other actions to improve one's present and long-term financial well-being.

<sup>3</sup>For example, see GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011); *Financial Literacy and Education Commission: Progress Made in Fostering Partnerships, but National Strategy Remains Largely Descriptive Rather Than Strategic*, GAO-09-638T (Washington, D.C.: Apr. 29, 2009); *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, GAO-07-100 (Washington, D.C.: Dec. 4, 2006); and *Highlights of a GAO Forum: The Federal Government's Role in Improving Financial Literacy*, GAO-05-93SP (Washington, D.C.: Nov. 15, 2004).

Evidence indicates that many U.S. consumers could benefit from improved financial literacy efforts. In a 2010 survey of U.S. consumers prepared for the National Foundation for Credit Counseling, a majority of consumers reported they did not have a budget and about one-third were not saving for retirement.<sup>3</sup> In a 2009 survey of U.S. consumers by the FINRA Investor Education Foundation, a majority believed themselves to be good at dealing with day-to-day financial matters, but the survey also revealed that many had difficulty with basic financial concepts.<sup>4</sup> Further, about 25 percent of U.S. households either have no checking or savings account or rely on alternative financial products or services that are likely to have less favorable terms or conditions, such as nonbank money orders, nonbank check-cashing services, or payday loans.<sup>5</sup> As a result of this situation, many Americans may not be planning their finances in the most effective manner for maintaining or improving their financial well-being. In addition, individuals today have more responsibility for their own retirement savings because traditional defined-benefit pension plans have declined substantially over the past two decades.<sup>6</sup> As a result, financial skills are increasingly important for those individuals in or planning for retirement to help ensure that retirees can enjoy a comfortable standard of living.

### The Federal Government's Approach to Financial Literacy Has Been Fragmented

Federal financial literacy programs and resources are spread widely among many different federal agencies, raising concerns about fragmentation and potential duplication of effort. As we noted in our recent report on overlap, duplication, and fragmentation, in 2009, more than 20 different agencies had more than 50 financial literacy initiatives under way that covered a number of topics, used a variety of delivery mechanisms, and targeted a range of audiences.<sup>7</sup> This distribution of federal financial literacy efforts across multiple agencies can have certain

<sup>3</sup>Harris Interactive Inc., prepared for The National Foundation for Credit Counseling, *"The 2010 Consumer Financial Literacy Survey Final Report"* (April 2010).

<sup>4</sup>FINRA Investor Education Foundation, *"Financial Capability in the United States, Initial Report of Research Findings from the 2009 National Survey, A Component of the National Financial Capability Study"* (New York, N.Y.: Dec. 1, 2009).

<sup>5</sup>Federal Deposit Insurance Corporation (FDIC), *"FDIC National Survey of Unbanked and Underbanked Households"* (Washington, D.C.: December 2009).

<sup>6</sup>GAO, *Defined Benefit Pensions: Survey Results of the Nation's Largest Private Defined Benefit Plan Sponsors*, GAO-09-291 (Washington, D.C.: Mar. 30, 2009).

<sup>7</sup>GAO-11-318SP.

---

advantages. For example, different agencies can focus their efforts on particular subject matter or target specific audiences for which they have expertise. However, this fragmentation also increases the risk of inefficiency and redundancy and highlights the need for strong coordination of these efforts. Further, fragmentation of programs across many federal agencies can make it difficult to develop a coherent overall approach for meeting needs, identifying gaps, and rationally allocating overall resources. Because of the fragmentation of federal financial literacy efforts, coordination among agencies is essential to avoid inefficient, uncoordinated, or redundant use of resources. Identifying potential inefficiencies can be challenging because federal financial literacy efforts have numerous different funding streams and there are little good data on the amount of federal funds devoted to financial literacy. Financial literacy efforts are not necessarily organized as separate budget line items or cost centers within federal agencies and there is no estimate of overall federal spending for financial literacy and education, according to the Department of the Treasury.

In part to encourage a more coordinated response to financial literacy, in 2003 Congress created the multiagency Financial Literacy and Education Commission and mandated that the Commission develop a national strategy. We conducted a review of the Commission in 2006 and made recommendations related to enhancing public-private partnerships, conducting independent reviews of duplication and effectiveness, and conducting usability testing of the Commission's MyMoney.gov Web site.<sup>8</sup> We subsequently reported that the Commission had made progress in cultivating sustainable partnerships with states, localities, nonprofits, and private entities, and had acted on our recommendation to measure customer satisfaction with its Web site.<sup>9</sup> The Commission and the Department of the Treasury also initiated two independent reviews, as we had recommended, addressing overlap in federal activities and the availability and impact of federal financial literacy materials. As we have noted in the past, the Commission faces significant challenges in its role as a centralized focal point: it is composed of many agencies, but it has no independent budget and no legal authority to compel member agencies to take any action.

---

<sup>8</sup>GAO-07-100.

<sup>9</sup>GAO-09-638T.

---

Our 2006 review also found that while the Commission's initial national strategy was a useful first step in focusing attention on financial literacy, it was largely descriptive rather than strategic. In particular, the national strategy was comprehensive to the extent of discussing major issues and challenges in improving financial literacy and describing initiatives in government, nonprofit, and private sectors. However, it did not include a plan for implementation and only partially addressed some of the characteristics we had previously identified as desirable for any effective national strategy. For example, although it provided a clear purpose, scope, and methodology, it did not go far enough to provide a detailed discussion of problems and risks; establish specific goals, performance measures, and milestones; discuss the resources that would be needed to implement the strategy; or discuss, assign, or recommend roles and responsibilities for achieving its mission.

However, in December 2010, the Commission released a new national strategy that identifies five action areas—policy, education, practice, research, and coordination—and clearly lays out a series of goals and related objectives intended to help guide financial literacy efforts over the next several years. To supplement this national strategy, the Commission has said it will be releasing an implementation plan for the strategy by the end of this fiscal year. While the new national strategy clearly identifies action areas and related goals and objectives, it still needs to incorporate specific provisions for performance measures, resource needs, and roles and responsibilities, which we believe to be essential for an effective strategy. The new strategy will benefit if the forthcoming implementation plan incorporates these elements, as well as addresses the fragmentation of federal financial literacy efforts.

More recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires the establishment of an Office of Financial Education within the new Bureau of Consumer Financial Protection, further underscoring the need for coordination among federal agencies on this topic.<sup>15</sup> The Dodd-Frank Act charges the new office within the bureau with developing and implementing a strategy to improve financial literacy through activities including opportunities for consumers to access, among other things, financial counseling; information to assist

---

<sup>15</sup>Pub. L. No. 111-203, Title X, § 1013(d), 124 Stat. 1376, 1966 (2010). The Secretary of the Treasury has designated July 21, 2011, as the date the new bureau will begin exercising its new authorities. 75 Fed. Reg. 57252 (Sept. 20, 2010).

---

consumers with understanding credit products, histories, and scores; information about saving and borrowing tools; and assistance in developing long-term savings strategies. This new office presents an opportunity to further promote awareness, coordinate efforts, and fill gaps related to financial literacy. At the same time, the duties this office is charged with fulfilling are in some ways similar to those of the separate Office of Financial Education and Financial Access within the Department of the Treasury. As noted above, the Dodd-Frank Act charges the Bureau of Consumer Financial Protection with developing and implementing a strategy on improving the financial literacy of consumers—one that is consistent with, but separate from, the strategy required of the Commission. Thus, these entities will need to coordinate their roles and activities closely to avoid unnecessary overlap and make the most productive use of resources.

Coordination and partnership among federal, state, nonprofit, and private sectors are also essential in addressing financial literacy, and there have been positive developments in these areas in recent years. For example, a recent partnership between the National Credit Union Administration, the Department of Education, and the Federal Deposit Insurance Corporation aims to improve the financial education of millions of students. These three agencies are coordinating to facilitate partnerships among schools, financial institutions, federal grantees, and other stakeholders to provide effective financial education. Additionally, the National Financial Education Network, the President's Advisory Council on Financial Capability, and the Community Financial Access Pilot all represent examples of progress in fostering partnerships among participants in financial education. For example, our review in 2009 found that the establishment of the National Financial Education Network was a useful initial action to facilitate and advance financial education at the state and local levels. Similarly, the President's Advisory Council on Financial Capability facilitates strategic alliances among federal, private, and nonprofit enterprises.

## The Federal Government Must Determine What Works and Focus Resources Accordingly

Although numerous financial literacy initiatives are conducted by federal, state, local, nonprofit, and private entities throughout the country, there is little definitive evidence available on what specific programs and approaches are most effective. As part of ongoing work we are performing in response to a mandated study in the Dodd-Frank Act, we are conducting a review of studies that have evaluated the effectiveness of financial literacy efforts.<sup>11</sup> More than 100 articles, papers, and studies have been published on the general topic of financial literacy since 2000, but our preliminary findings have identified only about 20 papers that constitute empirically based evaluations on the effectiveness of specific financial education programs. In addition, only about 10 of these studies actually measured the impact of a program on participants' behavior rather than simply identifying a change in the consumer's knowledge, understanding, or intent. This distinction is important because a change in behavior is typically the ultimate goal of any financial literacy program, and changes in behavior do not necessarily follow from changes in knowledge or understanding. We are currently in the process of analyzing the results of these studies and look forward to reporting more fully on our findings this summer. But in general, the consensus among a wide variety of stakeholders in the field of financial literacy is that relatively little is known about what financial literacy approaches are most effective in meaningfully changing consumers' financial behavior.

The limited number of rigorous, outcome-based evaluations of financial literacy programs is likely the result of several factors. Because the field of financial literacy is relatively new, many programs have not been in place long enough to allow for a long-term study of their effectiveness; many of the key federal financial literacy initiatives were created only within the past 10 years. In addition, experts in financial literacy and program evaluation have cited many significant challenges to conducting rigorous and definitive evaluations of financial literacy programs. For example, measuring a change in participant behavior is much more difficult than measuring a gain in knowledge, which can often be captured through a simple post-course survey. Similarly, financial literacy programs often seek to effect change over the long term, which means that effective evaluation can require ongoing follow up with participants—a complex and expensive process. In addition, discerning the impact of the financial literacy program as distinct from other influences, such as changes in the overall economy, can often be difficult.

<sup>11</sup>Pub. L. No. 111-203, Title X, § 1013(d)(7), 124 Stat. 1376, 1966 (2010).

Nonetheless, given that federal agencies have limited resources, focusing federal financial literacy resources on initiatives that work is important. Some federal financial literacy programs, such as the Federal Deposit Insurance Corporation's Money Smart, have included a strong evaluation component, while others have not.<sup>15</sup> The Financial Literacy and Education Commission and many federal agencies have recognized the need for a greater understanding of which programs are most effective in improving financial literacy. The Commission's original national strategy in 2006 noted, for example, that more research and program evaluation are needed so that organizations are able to validate or improve their efforts and measure the impact of their work. In response, in October 2008, the Department of the Treasury and the Department of Agriculture convened, on behalf of the Commission, the National Research Symposium on Financial Literacy and Education, which discussed academic research priorities related to financial literacy.

Moreover, we are pleased to see that the Commission's new 2011 national strategy sets as one of its four goals to "identify, enhance, and share effective practices." The new strategy sets objectives for reaching this goal that include, among other things, (1) encouraging research on financial literacy strategies that affect consumer behavior, (2) establishing a clearinghouse for evidence-based research and evaluation studies, (3) developing and disseminating tools and strategies to encourage and support program evaluation, and (4) forming a network for sharing research and best practices. These measures are positive steps in helping ensure that, in the long term, scarce resources are focused efficiently and effectively. At the same time, as we have noted in the past, an effective national strategy goes beyond simply setting objectives; it also must describe the specific actions needed to accomplish goals, identify the resources required, and discuss appropriate roles and responsibilities for the players involved. We encourage the Commission and its participating agencies to incorporate these elements into the national strategy's implementation plan, which is slated to be released later this year.

In addition, it is important to note that financial education is not the only approach—or necessarily always the best approach—for improving consumers' financial behavior. Alternative strategies or mechanisms,

<sup>15</sup>Money Smart is a comprehensive national financial education curriculum designed to help low- and moderate-income individuals outside the financial mainstream enhance their financial skills and create positive banking relationships.

---

sometimes in conjunction with financial education, have also been successful in improving financial behavior. In particular, insights from behavioral economics that recognize the realities of human psychology have been used effectively to design strategies to assist consumers in reaching financial goals without compromising their ability to choose among different products or approaches. For example, one strategy has been to use what are referred to as commitment mechanisms, such as having individuals commit well in advance to allocating a portion of their future salary increases toward a savings plan. Another strategy for encouraging consumers to increase their savings has been to use incentives with tangible benefits, such as matching funds. In addition, changing the default option for enrollment in retirement plans—that is, automatically enrolling new employees while giving them the opportunity to opt out—has led to significant increases in plan participation rates among some organizations. The most effective approach to improving consumers' financial decision making and behavior may be to use a variety of these types of strategies in conjunction with financial education.

---

### GAO Will Continue to Play a Role in Supporting Financial Literacy

As I noted during my confirmation hearing, financial literacy is an area of priority for me as Comptroller General, and during my tenure, I hope to draw additional attention to this important issue. Improving financial literacy involves many stakeholders and must be a partnership between the federal government, state and local governments, the private and nonprofit sectors, and academia. My hope is that GAO can play a role in facilitating knowledge transfer among these different entities, as well as working with other organizations in the accountability community, such as the American Institute of Certified Public Accountants. Almost 7 years ago we hosted a forum on the role of the federal government in improving financial literacy.<sup>13</sup> At that forum, public and private sector experts highlighted, among other things, the need for the federal government to serve as a leader in this area, but they also stressed the importance of public-private partnerships. We will host another forum on financial literacy later this year to bring together experts in financial literacy and education from federal and state agencies, nonprofit organizations representing consumers, educational and academic institutions, and private sector employers. This forum will address the gaps that exist in financial literacy efforts, challenges that federal agencies may face in

---

<sup>13</sup>GAO-05-93SP.

---

addressing these gaps, and opportunities for improving the federal government's approach to financial literacy.

In addition, as part of our audit and oversight function, we will continue to conduct evaluations of the efficiency and effectiveness of federal financial literacy efforts. Financial literacy plays a role in a wide variety of areas that GAO regularly reviews—including student loans, retirement savings, banking and investment products, and homebuyer assistance programs, to name a few. For example, in work we have done on retirement savings, we have made recommendations intended to facilitate consumers' understanding of retirement plans, disclosures, and any associated fees.<sup>14</sup> Additionally, our reviews of financial products will continue to focus on consumer understanding of these products, as well as strategies for encouraging consumers to make sound decisions about them. Moreover, we will continue our body of work evaluating various consumer protections, which in conjunction with financial education are a key component in helping consumers avoid abusive or misleading financial products, services, or practices.

Financial education has its limitations, of course, but it does represent an important tool that can benefit both individuals and our economy as a whole. On an individual level, better money management and financial decisions can play an important role in improving families' standard of living and helping them achieve long-term financial goals. While personal financial decisions are made by individuals and their families, the federal government can play a role in helping ensure that its citizens have easy access to financial information and the tools they need to make sound decisions. Moreover, improving consumer financial literacy can be beneficial to our national economy as a whole. Financial markets function best when consumers understand how financial service providers and products work and know how to choose among them. Our income tax system requires citizens to have an adequate understanding of both the tax system itself and financial matters in general. Educated citizens are also important to well-functioning retirement systems—for example, workers should understand the benefit of saving for their retirement to supplement any benefits received from Social Security. Finally, our nation faces a challenging long-term fiscal outlook, and it is important that our citizens

---

<sup>14</sup>GAO, *Retirement Savings: Better Information and Sponsor Guidance Could Improve Oversight and Reduce Fees for Participants*, GAO-09-641 (Washington, D.C.: Sept. 4, 2009).

---

understand and are attentive to the fact that the federal government faces hard choices that will affect their own, and our nation's, economic future.

---

Chairman Akaka, Ranking Member Johnson, this completes my prepared statement. I would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

---

#### GAO Contact and Staff Acknowledgments

For further information about this testimony, please contact Alicia Puente Cackley at (202) 512-8678 or at [cackleya@gao.gov](mailto:cackleya@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Alicia Puente Cackley (Director), Jason Bromberg (Assistant Director), Tania Calhoun, Beth Ann Faraguna, Jennifer Schwartz, and Andrew Stavisky.

---

## Related GAO Products

---

*Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue.* GAO-11-318SP. Washington, D.C.: March 1, 2011.

*Consumer Finance: Factors Affecting the Financial Literacy of Individuals with Limited English Proficiency.* GAO-10-518. Washington, D.C.: May 21, 2010.

*Financial Literacy and Education Commission: Progress Made in Fostering Partnerships, but National Strategy Remains Largely Descriptive Rather Than Strategic.* GAO-09-638T. Washington, D.C.: April 29, 2009.

*Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy.* GAO-07-100. Washington, D.C.: December 4, 2006.

*Highlights of a GAO Forum: The Federal Government's Role in Improving Financial Literacy.* GAO-05-93SP. Washington, D.C.: November 15, 2004.

<b>GAO's Mission</b>	The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.
<b>Obtaining Copies of GAO Reports and Testimony</b>	The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ( <a href="http://www.gao.gov">www.gao.gov</a> ). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <a href="http://www.gao.gov">www.gao.gov</a> and select "E-mail Updates."
<b>Order by Phone</b>	<p>The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <a href="http://www.gao.gov/ordering.htm">http://www.gao.gov/ordering.htm</a>.</p> <p>Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.</p> <p>Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.</p>
<b>To Report Fraud, Waste, and Abuse in Federal Programs</b>	<p>Contact:</p> <p>Web site: <a href="http://www.gao.gov/fraudnet/fraudnet.htm">www.gao.gov/fraudnet/fraudnet.htm</a>  E-mail: <a href="mailto:fraudnet@gao.gov">fraudnet@gao.gov</a>  Automated answering system: (800) 424-5454 or (202) 512-7470</p>
<b>Congressional Relations</b>	Ralph Dawn, Managing Director, <a href="mailto:dawnr@gao.gov">dawnr@gao.gov</a> , (202) 512-4400 U.S. Government Accountability Office, 441 G Street NW, Room 7125 Washington, DC 20548
<b>Public Affairs</b>	Chuck Young, Managing Director, <a href="mailto:youngc1@gao.gov">youngc1@gao.gov</a> , (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548



Please Print on Recycled Paper

**Draft 4-8-2011**

**Testimony of Dr. Brenda Dann-Messier  
Assistant Secretary for Vocational and Adult Education  
U.S. Department of Education**

**Before the Subcommittee on Oversight of Government Management,  
the Federal Workforce, and the District of Columbia  
U.S. Senate Committee on Homeland Security and Governmental Affairs**

**Hearing on  
“The Federal Government’s Role in Empowering  
Americans to Make Informed Financial Decisions”**

**April 12, 2011**

Good afternoon, Chairman Akaka, Ranking Member Johnson, and distinguished members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss what the U.S. Department of Education is doing to help Americans improve their ability to make informed financial decisions. The Department of Education remains committed to doing its part, in its own programs and in coordination with others, to help elementary, secondary, postsecondary, and adult students develop the knowledge and skills needed to make sound financial decisions for themselves, their families, and their communities.

As you know, President Obama has set a lofty goal: by 2020, America will once again have the highest proportion of college graduates in the world. He has called this the number one economic issue of our time, declaring that countries that out-educate us today will out-compete us tomorrow. So when we think about the role of the U.S. Department of Education in empowering Americans to make informed financial decisions, helping students and families navigate the decision to invest in higher education is front and center for us. As Secretary Duncan has said, we think financial education should happen at least as early as kindergarten and continue throughout a student’s time in school.

With that in mind, I am pleased to provide a review of our financial education efforts, including what we are doing with other Federal agencies that are members of the Financial Literacy and Education Commission.

Our Office of Innovation and Improvement (OII) continues to administer the Excellence in Economic Education program, which supports national, State, and local efforts to improve student performance in economics, personal finance, and entrepreneurship. In 2010, Council for Economic Education awarded subgrants to 94 projects, spanning 41 states for activities such as conducting teacher training and program evaluation. The Lakeland College Center for Economic Education in Plymouth, Wisconsin established an economics and financial education curriculum at a Milwaukee public charter school that enrolls more than 600 students from preschool through grade 8. Junior Achievement in Honolulu, Hawaii, connected schools with local businesses to help teachers improve students’ understanding of economics and personal finance.

In July I discussed the Department's doubling of its commitment to financial literacy in fiscal year 2010 by reprogramming \$1.7 million from the Data Quality Initiative to create the new Financial Education for College Access and Success Program. This grant was made to the Tennessee Department of Education to develop, implement, and evaluate the effectiveness of personal finance instructional materials and corresponding teacher training. This project is intended to provide middle and high school students with the knowledge and skills needed to make sound financial decisions, particularly in relation to obtaining access to, persisting in, and completing postsecondary education. The project involves representatives of State and local agencies administering Tennessee's elementary and secondary, career and technical, and postsecondary education programs, as well as the Federal Reserve and the State Treasurer's office. If found to be effective after a rigorous evaluation, the financial literacy instructional materials developed with this grant will be made available at no cost to States as open educational resources. The creation of this program will send a strong signal to States and schools about the importance of making connections between financial literacy and college access and success.

Our proposal to reauthorize the Elementary and Secondary Education Act of 1965 includes \$246 million for Effective Teaching and Learning for a Well-Rounded Education. This broader program would replace several often narrowly-focused programs with a single authority supporting efforts to strengthen instruction and improve student achievement across multiple subject areas, including economics and financial literacy. The funds would be awarded competitively to States, high-need local education agencies and other entities. This amount is \$20.1 million, or a 9 percent increase, over levels of the 2010 appropriations for the programs consolidated under this broader framework. We see this program as a cornerstone of our focused and flexible approach for Federal K-12 funding, and we look forward to working with you and your colleagues to bring a bill to the President's desk this year.

Our TRIO grant programs are geared toward helping individuals from disadvantaged backgrounds to enter college and complete postsecondary education. This year, applicants for Talent Search – one of the TRIO programs – were required in their projects to provide connections to services designed to improve financial and economic literacy. Two of our TRIO Training grantees will provide training opportunities to successful Talent Search grantees to help them address this new requirement. We look forward to telling you more about the success of these efforts in the future.

The National Financial Capability Challenge, administered by Treasury, is an awards program designed to increase the financial knowledge and capability of participating high-school-aged youth across the United States and in Department of Defense schools overseas. The goal of the program is to help educators teach the basics of personal finance and reward students, educators, schools, and states for success. The Challenge is open to all interested high school teachers and is designed to raise awareness of the importance of teaching personal finance.

One of the things we would like to be able to do is compare American students on average with students in other countries in terms of their financial knowledge and skills, just as we currently do for reading, math and science. Toward this end, the National Center for Education Statistics (NCES) is currently field-testing the financial literacy assessment proposal slated for inclusion in the 2012 administration of the Program for

International Student Assessment (PISA) international assessments of 15-year olds – developed by OECD for its member countries. NCES has worked with colleagues at the Federal Reserve, as well as non-government researchers and educators, to strengthen the exam, and may administer it to U.S. students in 2012. In addition, NCES has introduced into its High School Longitudinal Study a set of questions that elicit detailed information about student and parental “financial literacy” with respect to college costs, financial aid, how they plan to finance their child’s studies, what actions they’ve taken to meet college costs, and the sources from which they obtain this information about college costs and aid.

Pursuant to HEA, NCES’s IPEDS survey collects net price data, and exports those data to the College Navigator web site, which gives students and their families a more accurate picture of information on college costs than just a school’s “sticker price.” Average net tuition is generated by subtracting average grant and scholarship aid from the total cost of attendance. In addition, pursuant to HEA, the IPEDS program also developed– in consultation with the higher education community – the methodology that institutions are to follow or expand upon in developing their net price calculators, and the template that they must use or customize. By the end of October 2011, all institutions of higher education will be required to have their own net price calculators on their websites. The Department has given schools a template to use, or schools can design their own. Later this year, again as specified in HEA, NCES will unveil a new College Affordability and Transparency Center to provide information on postsecondary institutions’ published tuition and net prices, ranked from high to low, and indicating which institutions’ prices are climbing fastest. We are proud of these efforts. Integrating these tools into college counseling and financial education as early as middle school and then through high school will help prepare students and their families to make informed financial decisions about college.

The efforts undertaken by the Office of Federal Student Aid (FSA) represent our largest and most focused investment in helping families pay for postsecondary education. We estimate we will provide over \$155 billion this year in grants, loans, and work study. But we still have work to do to help all students see higher education as a realistic goal – something they can afford to do, even if their parents never went to college.

Students can see how much Federal student aid they can receive by completing the Free Application for Federal Student Aid (FAFSA). We have worked to make this process easier for students. We have eliminated over twenty questions and removed two-thirds of the screens an applicant has to click through when completing the FAFSA online. And applicants can now automatically import their tax information from the IRS.

One of the most important things we can do right now to help low-income students afford college is to maintain the maximum award of \$5,550 for the Pell Grant. The Pell Grant program is the largest source of grant assistance for higher education in the country, and helps millions of students who otherwise could not obtain higher education. But the maximum award is now at risk and millions of students will see their benefits cut depending on two important decisions Congress will make over the coming days and weeks. The cost of maintaining the Pell Grant is growing, but the President has proposed a comprehensive plan to sustain funding in both the short- and the long-term. In an economy where nearly half of all jobs will require some postsecondary education, failing to protect Pell will have negative effects on students and will be detrimental to America’s

long-term competitiveness, so I want to thank you, Chairman Akaka, for your support for this essential program.

Another college affordability measure that has implications for financial decision-making is the Income-Based Repayment (IBR) program, along with Public Service Loan Forgiveness program—programs that are currently available for Federal student loan borrowers. The IBR program ensures that payments on federal student loans are never more than 15 percent of the borrower's discretionary income, and keeps the total cost of loan repayment manageable by forgiving all remaining debt after 10 years for public service professionals, and 25 years for all others. Last year, the Administration proposed, and Congress enacted, legislation that will strengthen the IBR formula starting in 2014, dropping the payment threshold to 10 percent of income and the forgiveness period to 20 years.

To ease the burden for borrowers hoping to receive forgiveness under Public Service Loan Forgiveness, the Department will soon publish draft employment certification forms in the Federal Register that will help borrowers track their eligibility throughout the 10-year or 120-payment forgiveness period. This program will help relieve the debt burden of borrowers working as teachers, health professionals, or in another public service position with the government or a qualified non-profit organization. Though students will not actually apply to have their loans forgiven until 2017 – ten years after the program's creation – we are publicizing this program now because we think that students will be more likely to pursue their talents and passion in college, knowing that programs such as these will help to manage their repayment amount and forgive their loans in return for public service. These programs provide the sort of peace of mind needed for many students to feel comfortable investing in their education.

Throughout the country, FSA is also ramping up its student aid outreach and awareness efforts to increase FAFSA submission and college enrollment rates, especially among students from underrepresented groups. FSA educates students and families about the costs and benefits of postsecondary education and the various programs in Title IV of the Higher Education Act (HEA) of 1965 that can help them afford postsecondary education, whether they are traditional students entering college immediately after high school or working or unemployed adults seeking additional training. The transition to 100 percent Direct Lending following the enactment of the SAFRA Act in 2010 ensures that all students have access to reliable and affordable Federal student loans. SAFRA also dramatically increased the funding available for Pell Grants for our highest-need students. However, we cannot help students pay for college if they do not know about the availability of, and apply for, financial aid.

Adult learners are important to the Department and to my office in particular. I am excited to announce that we are adding a new special collection of resources on financial literacy to our Literacy Information and Communications System (LINCS) that provides information for adults as well as resources for adult educators. This new collection will focus on financial literacy materials accessible to lower-skilled adults, as well as on methods for teaching basic skills to adults using financial topics that make their learning immediately relevant.

Finally, I would like to highlight a financial literacy initiative we are working on with other Federal Agencies. Last year the Department had ongoing conversations with the

Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) to discuss ways to work together on shared financial literacy goals. I am pleased to report that in November, 2010, Secretary Duncan signed a new interagency agreement with these two agencies and that we are off to a strong start. The focus of our work is to leverage existing resources to increase the number of partnerships among schools, financial institutions, and other stakeholders. This will enable more students to have access to federally insured deposit accounts, learn about personal finance, and start saving, especially for college. Among other things, NCUA has committed its technical assistance grants to supporting partnerships between credit unions and schools; the FDIC has agreed to provide free workshops on its Money Smart for Young Adults program to our grantees, and we will be adding a new priority in our GEAR UP program this year to encourage partnerships focused on financial access, financial education, and savings.

We look forward to our continued work with these agencies on empowering Americans to make informed financial decisions, and to identify additional ways to work with our colleagues throughout the Federal Government.

Thank you, Mr. Chairman and members of the Subcommittee, for your leadership on this important issue. I would be happy to answer any questions.

**Testimony Concerning *Financial Literacy: Empowering Americans to Make Informed Financial Decisions***

by Lori J. Schock  
*Director, Office of Investor Education and Advocacy,  
 U.S. Securities and Exchange Commission*

**Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia of the Senate Committee on Homeland Security and Governmental Affairs  
 April 12, 2011**

Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee:

**Introduction**

My name is Lori Schock, and I am the Director of the Office of Investor Education and Advocacy (OIEA) of the U.S. Securities and Exchange Commission. Thank you for the opportunity to testify today about the SEC's efforts to improve the financial literacy of individual investors throughout the United States.

OIEA administers the SEC's nationwide investor education program. We provide a variety of services and tools to address the problems and questions that individual investors may face. OIEA conducts educational outreach; assists with investor complaints and inquiries; and facilitates individual investors in bringing their perspectives to the Commission and its staff.

**SEC Investor Outreach and Education Programs**

In addition to participation in financial literacy and investor education programs across the United States and throughout the year, we also develop and maintain the SEC's Investor.gov website, publish Investor Alerts and Bulletins, and partner with outside organizations to help investors better understand how they can protect themselves when they make their investment decisions.

*Investor.gov*

In October 2009, the SEC launched Investor.gov, its first-ever website focused exclusively on investor education. This website aims to help investors educate themselves on issues affecting their investment decisions and includes information such as how to detect fraud. Earlier this month, we re-launched Investor.gov with a new design and additional information in an even more user-friendly format.

Individual investors who access this website can learn information on a variety of investing topics, including how to research investments and investment professionals,

understand fees, and detect fraud. The content is designed to be easily understandable, including the “Investing Basics” section, which explains common retail investment products in plain language.

Investor.gov also offers tools and materials targeted to investors who may face particular investment needs, such as members of the military, teachers, and retirees. The site will be further enhanced with videos, interactive quizzes, and additional investor education resources in the coming months. In addition, we are working with the Department of Treasury to ensure that key resources from Investor.gov are included in relevant sections of the Financial Literacy and Education Commission’s financial education website, MyMoney.gov.

#### *Print Publications*

For those investors who prefer print publications, we continue to offer these materials to help individuals make informed investment choices and detect fraud. We emphasize factors and important questions for investors to consider and ask before they invest. All of our materials are available free of charge and not copyrighted, so that the widest possible dissemination is encouraged.

Our most popular brochures are offered in both English and Spanish, including publications focused on mutual funds and variable annuities. Our most recent publication is a primer to educate students about setting long-term financial goals. The SEC’s *Saving and Investing for Students* booklet explains different types of financial products, the realities of risk, and other key information students need to know in setting their goals.

Individuals can order free copies of *Saving and Investing for Students* or any SEC print publication by calling (888) 878-3256 or visiting Investor.gov. Individuals can also receive SEC brochures by requesting the Financial Literacy and Education Commission’s MyMoney toolkit. Additionally, we have developed a series of fourteen information sheets including such topics as Asset Allocation, Target Date Funds, Ponzi Schemes and Affinity Fraud.

#### *Investor Alerts and Bulletins*

Another way the SEC reaches out to individual investors is through our Investor Alerts and Bulletins. Investor Alerts and Bulletins are short articles written to inform the investing public about particular topics. Investor Bulletins provide individual investors with important information regarding various investment-related topics. Investor Alerts warn investors about potentially questionable activity that the Commission’s staff has been made aware of, including through investor complaints and inquiries. In the past year we have published over twenty-five different alerts and bulletins on a variety of subjects, including municipal securities, stock trading basics, day trading, margin rules, life settlements, and a number of new SEC rules. Recent Investor Alerts have covered pre-IPO investment fraud, investment scams related to payouts by BP, and fake securities-related websites. Moreover, we have issued a number of joint alerts, including

one on target date funds with the Department of Labor and another on ETFs with the Financial Industry Regulatory Authority (FINRA).

OIEA publishes Investor Alerts and Bulletins on the SEC's website, SEC.gov, as well as on Investor.gov. We also disseminate them through a variety of other channels, including a designated RSS feed, Gov.delivery, press releases, and our Twitter account, @SEC\_Investor\_Ed. As of last week, we had over 13,000 followers. We plan to continue to explore the possible utilization of other social media tools to reach more individual investors with limited additional cost, especially given constraints on our resources.

### **Reaching Investors through Partnerships – Recent Examples**

As part of its mission of investor protection, the SEC encourages investment literacy for all Americans. Our partnerships with other government agencies, localities and private sector financial education are vital to helping us reach investors within our limited resources.

Some recent examples of our partnerships to reach investors include:

- Outsmarting Investment Fraud. We continue to work with FINRA, AARP and state securities regulators on a campaign designed to reduce investment fraud among older Americans. The campaign is based on research funded by the FINRA Investor Education Foundation. With our partners, we regularly participate in events that teach seniors how to identify common persuasion techniques used by con artists. We also train attendees on how to “ask and check” about investments and investment professionals before they invest so they can protect themselves and teach others in their community about effective fraud detection techniques.

Over the last year, we helped educate thousands of older Americans at “Outsmarting Investment Fraud” events across the country. We also have promoted key messages from the campaign’s curriculum to residents of other states by incorporating those messages in our online investor education materials and print publications.

- SEC Graduate Program. We also work with NYSE Euronext on professional development programs designed to help educators teach students about the financial marketplace and its importance in their lives and the global economy. The training sessions feature lecture-discussion sessions, hands-on activities, and field trips.

Last July, more than thirty educators from across the country attended the inaugural SEC Graduate Program, a four-day workshop that focused on the securities markets, investor protection, and the federal government’s oversight role. SEC Chairman Mary Schapiro, SEC Commissioner Elisse Walter and a host

of SEC staff led training sessions during the program. Additional training sessions were led by, among others, representatives from the White House, the Federal Reserve, the Department of Treasury, the Department of Education, and Commodity Futures Trading Commission.

- Internal Revenue Service (IRS) Tax Refund Check Mailings. Over the last few years, we have worked with the Financial Management Service at the IRS to communicate messages on saving and investing to Americans across the country. During the month of April, approximately eight million individuals will receive IRS tax refund mailings that contain an insert promoting investor education resources from the SEC. In addition to raising awareness about Investor.gov, the insert encourages individuals to request an Investor Education Toolkit to learn how to become a smarter investor. Individuals can order the free toolkit online, by phone, or by mail.
- Outreach to Gulf of Mexico (Gulf) Residents Through Public Libraries. In October 2010, the SEC issued an Investor Alert to warn individuals and small businesses about potential investment frauds targeting those who receive lump sum payouts from BP due to the oil spill in the Gulf. At the same time, the SEC began working with public libraries near BP claims centers to distribute a special package of financial education materials to Gulf residents.
- Financial Literacy and Education Commission. The SEC is a member of the Financial Literacy and Education Commission ("FLEC"). The Financial Literacy and Education Commission was established under the Fair and Accurate Credit Transactions Act of 2003. The FLEC was tasked to develop a national financial education web site ( [MyMoney.gov](http://MyMoney.gov)) along with a hotline (1-888-My Money) and a national strategy on financial education. It is chaired by the Secretary of the Treasury and made up of the heads of twenty additional federal agencies. In addition to the activities noted above, the SEC serves on FLEC's Research and Evaluation Subcommittee. We also will be working with FLEC to develop a "strategy to increase the financial literacy of investors in order to bring a positive change in investor behavior," as required by Section 917 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").
- SEC-Academy of Finance Shadowing Program. Consistent with Section 342 of the Dodd-Frank Act, the SEC has developed an SEC Shadowing Program with the Academy of Finance students from inner city high schools in the DC region. The Academy of Finance connects high school students with an interest in finance with the world of financial services.
- Other Partnerships. The SEC is a partner and ex officio board member of the Jump\$tart Coalition for Financial Literacy, a mission partner of the American Savings Education Council, a charter member of the Department of Defense's Financial Readiness Initiative, and a founding advisor of the Alliance for Investor Education. We participate in numerous local and national financial literacy

events each year including Military Saves Week, America Saves Week, and Financial Literacy Day on Capitol Hill.

#### **SEC Investor Assistance Program**

OIEA's Office of Investor Assistance responds to questions, complaints, and suggestions from members of the public. The Office handles investment-related complaints and questions from tens of thousands of individual investors and others every year. Investors contact us seeking information about the securities markets, securities laws and regulations, investment products, and financial professionals. Investors also submit complaints involving brokers, investment advisers, transfer agents, mutual funds and other companies that issue securities.

To help investors resolve their investment disputes, OIEA forwards investor complaints to the entities involved, requesting a response that fully addresses investor concerns. Our efforts to facilitate informal resolutions of complaints often succeed. Where an entity denies wrongdoing, however, or it is unclear whether any wrongdoing occurred, OIEA cannot compel an entity to resolve a complaint to an investor's satisfaction. Instead, we provide information on alternatives such as mediation, arbitration or legal action. In appropriate cases, OIEA refers complaints to other offices and divisions within the SEC, including the Division of Enforcement, or to state or other federal regulators.

In Fiscal Year 2010, OIEA staff closed approximately 72 percent of complaints and inquiries within seven days and approximately 93 percent within 30 days.

#### **Office of Policy**

OIEA's Office of Policy reviews and comments on proposed rulemakings and concept releases with an eye toward making Commission documents more useful and understandable to individual investors, with an emphasis on plain writing and data driven research. Also, consistent with Section 912, OIEA has been tasked with conducting survey research and/or focus groups to identify the level of satisfaction of individual investors with various disclosure requirements. These efforts include benchmarking overall satisfaction with disclosures and probing areas of interest including usefulness of content, ease of comprehension, and accessibility of formats.

The Office also has been actively involved in managing a number of the studies required by the Dodd-Frank Act. In addition to coordinating the Section 919B study on improved investor access to information of investment advisors and broker-dealers, OIEA participated in the SEC working groups for the Section 913 study on the obligations of brokers, dealers and investment advisors, and the Section 914 study on enhancing investment advisors examinations.

### **Investor Testing and Dodd-Frank Studies**

#### *Disclosure Document Evaluation Study and Dodd-Frank Act Section 917*

The SEC currently is conducting investor testing as part of its Disclosure Document Evaluation Study (the "Study"). The purpose of this investor testing is to examine the effectiveness of SEC-mandated disclosure documents, specifically, the Form 10-K annual report and the mutual fund shareholder report, in communicating useful information to individual investors. The Study is designed to gather feedback from investors in order to determine how these disclosure materials could more effectively communicate information to individual investors. The Study also will generate a baseline assessment of these documents, providing a way to measure potential improvements in disclosures over time. The Study entails:

- Obtaining investors' evaluation of the Form 10-K and the mutual fund shareholder report, including a baseline assessment against which to measure future disclosures;
- Identifying specific areas of these documents where investors think current disclosure is adequate;
- Identifying specific areas of these documents that could be improved;
- Suggesting new document formats as alternative ways to express or summarize complex financial information in both hard copy and digital formats; and
- Proposing actions and/or solutions to simplify documents for use by the individual investor.

In examining these disclosures, OIEA is working with the SEC's Division of Corporation Finance to evaluate investors' responses to current Form 10-K materials, and with the SEC's Division of Investment Management to evaluate investors' responses to current mutual fund shareholder reports. These evaluations are designed to prioritize the importance and usefulness of each of the disclosure items within the Form 10-K and the mutual fund shareholder report, including information that is less useful and information that might be included in a revised document. The Study is responsive to the SEC's 2010-2015 Strategic Plan, which calls for investors to have access to disclosure documents that are useful for investment decision-making and for those materials to be provided in concise, easy-to-use formats.

The Study also will serve as a predicate for significant portions of a separate study regarding financial literacy among investors, as mandated by Section 917 of the Dodd-Frank Act. That provision calls for the SEC to identify the existing level of financial literacy among retail investors; methods to improve the timing, content, and format of disclosures to investors with respect to financial intermediaries, investment products, and investment services; methods to increase the transparency of expenses and conflicts of interest in transactions involving investment services and products; and the most effective existing private and public efforts to educate investors. Section 917 requires us to deliver a final report to Congress by July 2012.

With regard to Section 917, the staff is currently working on a project plan, including developing an organizational framework, an analysis of required resources, and a calendar of expected completion dates of various project milestones. Consistent with available resources, we intend to conduct investor testing on a number of the issues presented by Section 917. We also anticipate seeking public comment on a number of aspects of Section 917, including about existing successful financial literacy programs, in the near future. In addition, we have already begun a thorough review of existing relevant data, including other studies and analyses, to identify areas in which additional research and study would be useful in providing the most meaningful report to Congress. Because Section 917 requires us to focus on the financial literacy of investors (as opposed to on financial education more generally), we believe the study has the potential to arm us with a great deal of valuable data about individual investors in the United States.

*Dodd-Frank Act Section 919B*

Section 919B of the Dodd-Frank Act directs the SEC to complete a study, including recommendations, of ways to improve the access of investors to registration information about registered and previously registered investment advisers, associated persons of investment advisers, brokers and dealers and their associated persons, and to identify additional information that should be made publicly available. The Act specifies that the study include an analysis of the advantages and disadvantages of further centralizing access to registration information, and identify data pertinent to investors and method and format for displaying and publishing the data to enhance the information's accessibility and utility to investors.

OIEA prepared the study in consultation with the SEC's Division of Investment Management, the Division of Trading and Markets, the Division of Risk, Strategy, and Financial Innovation, and the Office of the General Counsel. OIEA also sought input from FINRA and NASAA.

The study made the following recommendations:

- Unify FINRA's BrokerCheck and the SEC's Investment Adviser Public Disclosure ("IAPD") database search results
- Add a ZIP code search function to BrokerCheck and IAPD
- Add educational content to BrokerCheck and IAPD

In addition, the study recommends that SEC staff and FINRA continue to analyze, including through investor testing or other means of soliciting investor input, the feasibility and advisability of expanding BrokerCheck to include information currently available in the Central Registration Depository (the securities industry online registration and licensing database developed by FINRA in consultation with the states), as well as the method and format of publishing that registration information.

**Conclusion**

As the Committee recognizes, improving financial literacy is an important goal that can empower individual investors to participate in the financial markets. By making it possible for investors to access educational materials that are understandable and geared to their interests and concerns, the SEC can play a valuable role in assisting them to invest intelligently and to detect fraud. The SEC is committed to this important role in our rapidly changing markets. Thank you for the opportunity to appear today, and I would be pleased to respond to any questions.

**Testimony of Acting Director Joshua Wright  
Office of Financial Education and Financial Access  
U.S. Department of the Treasury**

**Before the Subcommittee on Oversight of Government Management, the Federal  
Workforce, and the District of Columbia  
U.S. Senate Committee on Homeland Security and Governmental Affairs**

**Hearing on “Financial Literacy: Empowering Americans to Make Informed Financial  
Decisions”**

**April 12, 2011**

Chairman Akaka and Ranking Member Johnson, thank you for the opportunity to appear before you today on a topic of critical importance to this Administration, the Department of the Treasury, and our nation – empowering Americans to make better informed financial decisions. I want to especially thank you, Chairman Akaka, for your tremendous leadership in helping enact policies intended to increase financial education and financial access. You have been a champion for financial empowerment of all Americans.

All Americans, regardless of income and level of educational attainment, must have appropriate consumer protections, be equipped with financial knowledge and skills, and have financial access, to make informed decisions in an increasingly complex financial marketplace. The Dodd-Frank Wall Street Reform and Consumer Protection Act provides clear rules of the road and consistent enforcement that will help make sure providers act responsibly and transparently. Simultaneously, consumers must take responsibility for their decisions. As the economy continues to recover, consumers still confront difficult financial challenges such as a lack of access to basic transaction, savings, and affordable credit products, stagnant wages, and falling home values. We must ensure that individuals and families have knowledge and skills to manage their financial resources effectively and plan for future life events. In addition to knowledge and skills, consumers must have access to financial products and services that are fair, affordable, understandable, and accessible. The future financial prosperity of our citizens and nation depends, in part, on the ability of Americans to make informed decisions and have access to appropriate financial services and products. Clear rules of the road, fair financial access, and knowledgeable and informed consumers will help our country harness the financial system’s tremendous capacity to fuel growth and investment, which are critical to our continued economic recovery.

My testimony will include an update on the activities of the Financial Literacy and Education Commission (the Commission), the President’s Advisory Council on Financial Capability (PACFC), and Treasury’s financial education and access initiatives, all of which aim to improve financial literacy and financial access and promote economic stability of all Americans.

### The Commission Update

In 2003, Congress created the Commission in Title V of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) to better focus and coordinate federal financial education and literacy efforts. Treasury is honored to serve as the lead agency for the Commission and to report on its significant activities.

I want to acknowledge and thank the other members of the Commission that are participating in today's hearing for their efforts: the U.S. Department of Education, and the Securities and Exchange Commission, as well as the implementation team for the Consumer Financial Protection Bureau (CFPB). We have been leveraging our unique resources and working together to better equip Americans with necessary financial knowledge and skills. They have all been great partners and I appreciate and applaud their work.

Recently, the *Strategy for Assuring Financial Empowerment (SAFE) Report* was submitted to the Senate Banking, Housing, and Urban Affairs Committee and the House Financial Services Committee to inform members and the public of the Commission's activities. My testimony includes several highlights from the report. I respectfully request that the *SAFE Report* be included in today's hearing record.

Title V of the FACT Act requires the Commission to develop a national strategy to promote basic financial literacy and education among all American consumers and coordinate federal efforts to promote basic financial literacy and education. Treasury, in conjunction with the Commission members, published *Taking Ownership of the Future: The National Strategy for Financial Literacy* ("the Strategy") in 2006. The 2006 *Strategy* reviewed the progress towards financial literacy at that time and proposed calls to action, which were implemented between 2006 and 2009. In July 2009, the Treasury Department convened a special Commission meeting to review the Commission's approach to carrying out its purpose and role. As part of that process, Commission members set up a working group to craft a new national strategy, *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011* ("National Strategy 2011").

The Commission undertook a comprehensive and inclusive process that included reviewing strategic documents from other nations and other agencies as well as reaching out to a wide range of stakeholders in the field of financial education for input. As part of this inclusive process to develop the *National Strategy 2011*, the Treasury, on behalf of the Commission, published a request for comments and carefully considered the comments and made revisions to the *National Strategy 2011* to enhance its clarity and usefulness.

The *National Strategy 2011* provides a roadmap for organizations providing financial education and provides goals to help organizations guide Americans toward financial well-being. It will help ensure that financial education efforts support and advance the elements of the strategy.

Treasury, in conjunction with the Commission members, is developing the implementation plan for the *National Strategy 2011*. Treasury will also be engaged with Commission member entities to develop implementation plans specific to the constituencies that they serve.

To pursue one of the goals of the National Strategy 2011, efforts are underway to promote the five "Core Competencies" created by the Commission to focus financial education efforts in the field. These Core Competencies will represent five personal finance concepts every American should have command of. There were several steps taken to develop the Core Competencies, including consulting with researchers and practitioners in the field, conducting literature review, and incorporating public comments. The final stage of development is to translate the Core Competencies into an accessible resource. We are currently working to determine best practices to disseminate this information to the public, for instance by identifying strategic partners and by working with a social marketing expert.

A Financial Access Working Group, comprised of Commission members, has been created to ensure better integration of financial education and financial access efforts into existing federal programs that serve low- and moderate-income individuals and families and coordinate federal efforts around promoting financial access for unbanked and underbanked households. Having described a number of activities of the Commission, I will take this opportunity to address the comments about financial literacy from the Government Accountability Office (GAO) report, *"Opportunity to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,"* that was published in March 2011.

An additional collaborative activity, the National Financial Capability Challenge is a non-monetary awards program designed to increase the financial knowledge and capability of high school aged youth across the United States. This joint effort with the Department of Education challenges high school teachers and other educators to teach the basics of personal finance to their students, and rewards students, educators, schools, and states for their participation and their success. Educators and top-scoring students receive award certificates.

Educating Americans to be more financially literate is a difficult challenge and requires the attention of many governmental agencies and private organizations. The federal entities engaged in financial literacy often have different missions, constituencies, and expertise, which can and should be leveraged to deliver optimal financial literacy, education and access. Just a few examples of the federal entities that have financial education programs provide a window into understanding the need for this varied, yet integrated approach. Examples of these essential efforts include: investor education provided by the Securities and Exchange Commission, housing counseling provided by the Department of Housing and Urban Development; and military personnel education initiatives provided by the Department of Defense to ensure financial readiness. Parents and families are provided financial education opportunities through Department of Health and Human Services.

In addition, the new Consumer Financial Protection Bureau will have a special focus on educating consumers and will assume the Vice-Chairmanship of the Commission. Treasury will continue to work with the CFPB to clearly delineate the roles of both agencies' financial

education offices and coordinate to avoid duplicative efforts. Bringing these various approaches together, to complement, rather than duplicate efforts, is a key role of the Commission, and one we believe taken seriously by all of its member agencies.

MyMoney.gov is a great example of how the Commission has worked together to harness our resources. The redesign and relaunch of MyMoney.gov has been met with positive reaction, as the unbiased one-stop source for federal government information on financial education. The site continues to be improved, interactive self-assessment tools and a research clearing house are in process, and additional consumer search and navigation enhancements are being planned.

Treasury will continue to work collaboratively with the Commission members to identify possible duplicative efforts, and leverage resources to minimize fragmentation and maximize financial education efforts.

#### President's Advisory Council on Financial Capability

On January 29, 2010, the President signed Executive Order 13530, which created the President's Advisory Council on Financial Capability (Council) to assist the American people in understanding financial matters and making informed financial decisions, and thereby contribute to financial stability. It is largely composed of non-governmental representatives with relevant backgrounds, such as financial services, consumer protection, financial access, and education. The Council is tasked with recommending methods to coordinate and maximize the effectiveness of existing private and public sector efforts and identify new approaches to increase financial capability through financial education and financial access. The Secretary of the Treasury looks forward to receiving the Council's recommendations.

#### Financial Education and Financial Access Initiatives

The Treasury Department has implemented financial education and financial access initiatives in the last year and has proposed to engage in additional activities intended to help improve access to financial services.

#### Financial Education and Counseling Pilot Program

Through the Financial Education and Counseling (FEC) Pilot Program, the Community Development Financial Institutions (CDFI) Fund of the Department of the Treasury, working with Treasury's Office of Financial Education, provided grants to enable experienced organizations to provide a range of financial education and counseling services to prospective homebuyers, with the goals of:

- increasing the financial knowledge and decision-making capabilities of prospective homebuyers;
- assisting prospective homebuyers to develop monthly budgets, build personal savings, finance or plan for major purchases, reduce their debt, improve their financial stability, and set and reach their financial goals;

- helping prospective homebuyers to improve their credit scores by understanding the relationship between their credit histories and their credit scores; and
- educating prospective homebuyers about the options available to set and achieve short- and long-term financial goals.

The FEC Pilot Program addresses one of the core causes of the foreclosure crisis. Too many homebuyers entered into mortgage products that they could not afford or understand. The pilot is intended to ensure that working families have the financial knowledge to effectively prepare for and evaluate housing choices.

The CDFI Fund made a second round of awards for the FEC program in October. The awards totaled \$4.15 million, which included a grant to the Council for Native Hawaiian Advancement in Honolulu, Hawaii.

#### Electronic Treasury

Treasury's Electronic Payment efforts continue, with expansion of disbursement of federal payments electronically. Rules are now in place requiring Direct Deposit for all new federal benefit recipients by May 1, 2011, and for current recipients by March 1, 2013. When fully implemented, this initiative will save the Federal Government over \$500 million in the first five years. The GoDirect Campaign and the Direct Express Debit MasterCard program are in place to ensure people have safe and appropriate account options to receive their direct deposits. Individuals receiving Federal benefit payments who do not have an account at a financial institution or prefer receiving their payments on a prepaid debit card can receive a Direct Express card. The card is a safe, convenient and consumer-friendly way for benefit recipients to receive their payments.

In a similar vein Treasury is currently conducting a tax time account pilot, an initiative to improve tax administration while also providing basic financial access. The pilot has two components. The first is the MyAccountCard offer to a sample of low- and moderate-income households that are likely to be unbanked to receive their federal tax refund on a debit card, and then use that debit card as an ongoing financial transaction product. The results of the pilot will help determine the benefits and feasibility of a debit card account as an integrated part of the tax filing and refund process. The second, working with a provider of payroll services, Treasury will highlight the safety, ease and convenience of direct deposit onto payroll cards through tax season communications, including materials distributed with pay statements. Treasury aims to better understand the value of partnering with payroll providers and employers to deliver tax refunds into low-cost accounts. The pilot has the potential to streamline the tax administration process, save the government money, and deliver tax refunds in a faster, more efficient manner, while simultaneously providing access to safe and affordable basic financial transaction products.

Title XII of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Chairman Akaka, your work in authorizing Title XII of Dodd-Frank will provide opportunities for increasing financial access for the unbanked and underbanked Americans. Our most significant proposed initiative utilizing the authority provided in Title XII is the Bank on USA initiative, designed to help bolster local and private sector initiatives to ensure that low-and moderate -income individuals have access to safe and appropriate financial services and products and financial education to help them use products and services soundly. The *2009 FDIC Survey of Unbanked and Underbanked Households* found that one of every four American households is unbanked (meaning they do not have any type of account) or underbanked (meaning that although they may have an account, the mainstream financial system is not meeting their needs, and they are turning to alternative financial services providers). Consequently, individuals that can least afford it are paying high fees for basic financial services, such as cashing paychecks and paying bills. Instead of paying excessive fees for alternative financial services, families would benefit from using mainstream financial services and could utilize transaction savings for a child's education, housing costs, or an emergency fund.

The President's budgets for FY 2011 and FY 2012 included funding requests for Bank on USA. Together with the CDFI Fund, we are working with financial institutions, community-based organizations, community development financial institutions, financial education providers, and local government officials to ensure that we will be able to quickly implement Title XII programs once funding becomes available. These programs will include financial access, financial education, as well efforts to spur new products and services by the private sector that will better meet the needs of the unbanked and underbanked. We are developing the necessary infrastructure to support community-based efforts intended to increase financial access.

Although we have begun these initial steps, appropriated resources are necessary to fully implement all of the proposed activities which are envisioned to utilize the authority in Title XII. Funding for Title XII initiatives is necessary to capitalize on the important economic empowerment opportunities provided by Dodd-Frank.

American families are focused on building more secure financial futures for themselves, and they deserve a fair, stable financial system, as well as the skills and access needed to navigate the financial marketplace successfully. Treasury looks forward to working with this Committee, other agencies, the private and non-profit sectors, and other members to help improve the financial capability of all Americans.

**Written Testimony of**

**Hollister K. Petraeus  
Director, Office of Servicemember Affairs  
Consumer Financial Protection Bureau**

**Before the U.S. Senate Committee on Homeland Security and Governmental Affairs  
Subcommittee on Oversight of Government Management, the Federal Workforce, and the  
District of Columbia**

**Hearing on "Financial Literacy: Empowering Americans to Make  
Informed Financial Decisions"**

**April 12, 2011**

Chairman Akaka, Senator Johnson, and distinguished members of the Committee: thank you for the opportunity to speak with you today about the Office of Servicemember Affairs (OSA) at the Consumer Financial Protection Bureau (CFPB), as well as the importance of financial education for servicemembers and military families.

**I. My Background**

To tell you a little about my background, I come from a military family, one that has a tradition of service going back to the Revolutionary War. My father served in the Army for over 36 years, fighting in both World War II and Vietnam. Two of my brothers also served in Vietnam, and, of course, my husband is currently serving. And I'm a military mom, as well.

I've been around the military community my entire life, and I've seen the problems that can arise from "too much month and not enough money." I have also seen first-hand the devastating impact financial scams and predatory lending can have on servicemembers and their families. Unfortunately too many young troops still learn about wise spending through hard experience and years of paying off expensive debt rather than through an effective financial education class.

As an Army wife I spent a lot of years – over 20 – as a volunteer on the Army posts where we were assigned. During the first year of the Iraq war, when my husband was the commander of the 101<sup>st</sup> Airborne Division (Air Assault) at Ft. Campbell, Kentucky, I served as the Division's Senior Family Readiness Group Advisor. In that capacity I saw the unforeseen financial problems that came with deployment and I worked on those issues with Department of Defense (DoD) officials as well as local, state and national legislators.

A year later I was invited to become the Director of BBB Military Line, a program of the Council of Better Business Bureaus providing consumer education and advocacy for servicemembers and their families – a position that I held for six years, from 2004 to 2010. While with the BBB, I made on-site visits to military units all over the country, learning about

the consumer issues that impacted them, giving presentations on consumer scams, and working to establish local BBB-military relationships. I guided development of six teen and adult financial workshops taught to more than 20,000 individuals in military communities around the United States and wrote a monthly consumer newsletter that went out to about 3,000 subscribers addressing issues of interest to the military.

## **II. The Consumer Financial Protection Bureau and Office of Servicemember Affairs**

This January, based on my knowledge of the military community and my experience with military consumer issues, Professor Elizabeth Warren, Treasury Secretary Geithner's designee to set up the new Consumer Financial Protection Bureau, asked me to join the CFPB and set up the Office of Servicemember Affairs. As I'm sure you know, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which was signed into law on July 21, 2010, established the CFPB as an independent bureau within the Federal Reserve System and charged it with ensuring that consumers have timely and understandable information to make responsible decisions about financial transactions. One of CFPB's mandates was to establish an Office of Financial Education within the Bureau. That office is required to develop and implement a strategy to improve the financial literacy of consumers, in consultation with the Financial Literacy and Education Commission (FLEC). In addition, the law assigns my office, the Office of Servicemember Affairs, the responsibility to "educate and empower service members and their families to make better informed decisions regarding consumer financial products and services," and the CFPB is authorized to enter into agreements with the Department of Defense to achieve that goal.

## **III. The Need for Robust Financial Education and Strong Consumer Protections for Servicemembers**

I consider this mandate to educate servicemembers and their families to be one of the OSA's highest priorities. In my years working with servicemembers and their families, I have seen them targeted by financial scams and unethical practices that might have been avoided if they knew the costs and the red flags of a bad deal. Earlier in this decade there were so many payday lenders clustered around the gates of military installations that Congress saw fit to include a provision in the National Defense Authorization Act of 2007, the Talent Amendment, to protect military personnel on active duty and their families from the high interest rates associated with these expensive short-term loans. I continue to see military personnel carry more consumer debt than their civilian counterparts as they get in over their heads with expensive car financing, high-priced electronics bought on high-priced credit, other costly loans, and outright scams. And the military has not been immune to the housing crisis, either – in fact, quite the opposite. Many servicemembers who thought home-ownership would be a good thing are now locked into mortgages in some of the worst-hit states, where houses have declined significantly in value. While they may be able to make the payments while living in the house, when they get orders to move they are in deep trouble, as they may not be able to rent the house for enough to cover the mortgage payments and they can't afford to sell the house because they are so far underwater on their loan.

Also, some of them have not gotten the relief they should have through the Servicemembers' Civil Relief Act (SCRA), either through their own lack of knowledge of the law's protections, or because their lender denied them their legal rights.

The financial well-being of our military personnel is not just an issue of dollars and cents. Financial problems can be a dangerous distraction for our troops. As Undersecretary of Defense for Personnel and Readiness Clifford L. Stanley wrote to Michael S. Barr, Assistant Secretary of the Treasury for Financial Institutions, last year, "servicemembers and their families are under increasing stress. When we have asked in surveys about the causes, servicemembers responded that finances were second only behind work and career concerns and ahead of deployments, health, life events, family relationships and war/hostilities." Secretary of the Army John McHugh similarly has argued: "Soldiers who are distracted by financial issues at home are not fully focused on fighting the enemy, thereby decreasing mission readiness."

Financial problems can also lead military personnel to lose their security clearances, which may mean that they are no longer permitted to do the job for which they have been trained. Financial problems are now the number one cause of lost security clearances. As an example, the Department of the Navy reported in 2007 that financial management issues accounted for 78 percent of security clearance revocations and denials for Navy personnel.

Those who serve in the military should be able to focus on their jobs and their families without having to worry about getting trapped by abusive financial practices. As Undersecretary Stanley wrote, the "personal financial readiness of our troops and families equates to mission readiness." And a vital component of personal financial readiness is a sound financial education.

#### **IV. Office of Servicemember Affairs: Efforts to Date**

In the three months since I joined the CFPB team, in addition to setting up the Office of Servicemember Affairs and beginning to hire staff, I have taken a number of steps to begin a dialogue with the military community about financial education, and to prepare the ground within the CFPB to ensure strong enforcement and consumer response capabilities to protect servicemembers and their families.

A significant part of my time as Director of OSA has been spent reaching out to servicemembers, their spouses, and military service providers to get their advice and recommendations on how to make financial education work best for them. In late January, Professor Warren and I went to Joint Base San Antonio, Texas, where we had two roundtable discussions. We will be conducting a town hall meeting April 13<sup>th</sup> with Secretary Geithner at Joint Base Myer-Henderson Hall in Arlington, Virginia. And I've also made separate trips to Naval Base San Diego, California, Joint Expeditionary Base Little Creek, Virginia, and the Army Judge Advocate General's Legal Center & School in Charlottesville, Virginia, with more trips to military bases planned in the coming months.

To go into a little more detail on the roundtable at Joint Base San Antonio, we first met with military service providers, including lawyers, financial counselors, mental health professionals, and chaplains, as well as the base's leadership. We asked questions about what scams and other financial problems these service providers were seeing, and how they thought those financial problems might be dealt with. We heard from them that "payday" loans were still an issue in Texas, where they fall outside the 36 percent military cap imposed by the Talent Amendment because they are now offered for more than 91 days. The attendees also were concerned about military indebtedness, telling us that the average trainee arrives at Lackland Air Force Base (part of Joint Base San Antonio) over \$10,000 in debt<sup>1</sup>, some of it incurred during the waiting period between recruitment and entry into the service, when they get out there and buy that car, phone, and computer in anticipation of their military salary. The providers also had strong feelings about the necessity of follow-up financial education after basic training.

The second roundtable was with military personnel and spouses from the Air Force, Army, and Navy. They too felt strongly about the need for mandatory financial training, not just in basic training, where it is not well absorbed by tired, stressed trainees, but on a continuing basis. A number of attendees suggested continuing education throughout the various professional development schools, such as the Basic Noncommissioned Officer Course and the Advanced Noncommissioned Officer Course, both for their own personal education and to help them be better leaders for their soldiers. One suggested that it be a quarterly mandatory requirement for all personnel, like Equal Opportunity training, and the entire group raised their hands when asked if they thought that sort of continuing financial training should be mandatory.

I agree with those servicemembers and military service providers that continuing financial education must have a central role in protecting the financial future of military families, and I have had very productive meetings on the subject already with Robert Gordon, the Deputy Assistant Secretary of Defense for Military Community and Family Policy, who oversees financial literacy programs within the Department of Defense. The OSA plans to work with the Pentagon, veterans service organizations, the larger military community, and industry to identify and help provide the most timely and effective financial education for servicemembers and their families. No amount of prosecutors or government agencies can stop every scammer or predatory lender out there, so we must do more to provide the right tools and information to military personnel and their families so that they recognize the red flags of a bad deal or scam and make sound financial choices.

I am committed to ensuring that the OSA's educational component does not "reinvent the wheel" or duplicate what our counterparts at the Pentagon or in the private sector are already doing. My office is not interested in simply creating more reports that grow dusty on a bookshelf or end up in a large pile of similar documents. Instead, we plan to work closely with the Department of Defense and both the public and private sectors to identify what techniques and materials work best and then apply them to the education of military families.

<sup>1</sup> The Lackland Airman & Family Readiness Center (802d Force Support Squadron) gathered debt information on airmen arriving at the Technical Training Group at Lackland Air Force Base following Basic Military Training from 1997 to 2009. The average debt increased from \$7,565 in CY 1997 to \$10,431 in CY 2008, the last full year the data was collected. A total of 109,048 airmen were surveyed during the period.

We need to capitalize on the “teachable” moments, which may vary at different times in a military career. What’s pertinent to a new soldier shopping for his first car may not be relevant to a 20-year “lifer” contemplating buying a house. We will work on fielding curricula that hit those teachable moments and are taught in a way that is engaging to the students, and we will develop metrics to gauge the effectiveness of what we have taught. And we will keep tweaking it until we get it right.

I should add that I think that the educational strategies we develop at OSA can make an important contribution to the financial literacy of all American families. History has shown us that best practices developed in support of the military can translate to the larger US community. For that reason, we believe that the military can be a great test bed for innovative financial education products that could have an application to the population at large. And like the OSA, the CFPB’s Office of Financial Education plans to leverage the good work that is already being done out there, rather than starting from scratch.

#### **V. Conclusion**

In conclusion, the Office of Servicemember Affairs (OSA) is already working hard to ensure that servicemembers and their families, who devote their lives to protecting our nation, will have a strong advocate to help protect them from financial threats. We will work with the military, the rest of the public sector, and the business community towards the goal of every military family being a financially-educated family, armed with knowledge of how to avoid scams and poor financial decisions, and willing and able to invest towards long-term financial goals.

Thank you for the opportunity to testify before the Committee.

**BACKGROUND**  
**FINANCIAL LITERACY: EMPOWERING AMERICANS TO MAKE INFORMED**  
**FINANCIAL DECISIONS**  
**APRIL 12, 2011**

**Background**

Financial literacy is critically important to our Nation's economic future and the well-being of all Americans.<sup>1</sup> As the financial challenges confronting individuals and families have rapidly grown in complexity and sophistication, the gap between the financial skills needed to make informed financial decisions and our Nation's level of financial literacy appears to have widened.<sup>2</sup> This imbalance places our entire economy at risk, as millions of Americans are not equipped with the knowledge and skills required to successfully purchase a home or plan for retirement.<sup>3</sup> This hearing will examine the effectiveness of Federal efforts to empower individuals and families to effectively manage their finances, evaluate credit opportunities, and invest for long-term financial goals.

**Federal Financial Literacy Initiatives**

The U.S. Government Accountability Office (GAO) describes financial literacy as "...the ability to make informed judgments and to take effective actions regarding the current and future use and management of money."<sup>4</sup> Financial literacy is a broad, cross-cutting issue that encompasses a diverse range of topics. Over the course of a lifetime, an individual is likely to make several life-changing financial decisions; thus the concept of financial literacy must be thought of as an evolving, lifelong skill.

The wide range of Federal financial literacy initiatives recognizes the need for a dynamic approach to delivering financial education that is targeted and tailored to the unique goals and requirements of a given target audience, such as schoolchildren, prospective homeowners, investors, servicemembers, veterans, and the unbanked.

To maximize the use of finite resources, and mitigate the risks of duplication that may result from a one-size-fits-all approach, Federal efforts have leveraged the distinct capabilities and expertise of various agencies by tasking different agencies to devise strategies and administer

<sup>1</sup> Bernanke, Benjamin S., "Fostering Financial Literacy," National Bankers Association Foundation, Washington, DC. 13 Apr. 2010. Available at <<http://www.federalreserve.gov/newsevents/speech/bernanke20100413a.pdf>>.

<sup>2</sup> Acting Comptroller General Dodaro noted this increased complexity in his response to a question posed by Senator Akaka at the Senate Committee on Homeland Security and Governmental Affairs hearing to consider his nomination to be Comptroller General of the United State, 18 Nov. 2010. Transcript Available at: <<http://www.cq.com/doc/congressionaltranscripts-3766517>>.

<sup>3</sup> Financial Literacy and Education Commission, National Strategy Working Group, *Why and How: Background Report, Developing the 2011 National Strategy*. Nov. 2010. Available at <<http://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%20Background.pdf>>.

<sup>4</sup> Hillman, Richard J., "Progress Made in Fostering Partnerships, but National Strategy Remains Largely Descriptive Rather Than Strategic," Statement for oversight hearing on the Federal Government's role in empowering Americans to make informed financial decisions, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia. 29 Apr. 2009, at p. 2. Available at <<http://www.gao.gov/new.items/d09638t.pdf>>.

programs optimized for a given audience.<sup>5</sup> To ensure this comprehensive approach is efficient, the Congress established a multiagency Financial Literacy and Education Commission (FLEC) to develop a national financial literacy strategy and coordinate Federal efforts to facilitate the sharing of best practices and resolve any areas of overlap or duplication that may exist.

#### Financial Literacy and Education Commission

The FLEC was created through the passage of the *Financial Literacy and Education Improvement Act* under Title V of the *Fair and Accurate Credit Transactions Act of 2003*.<sup>6</sup> Congress designated the U.S. Department of the Treasury's (Treasury) Office of Financial Education as the entity responsible for coordinating the activities of the FLEC, which is chaired by the Treasury Secretary and composed of the heads of 22 additional Federal agencies and entities.<sup>7</sup> The Dodd-Frank Wall Street Reform and Consumer Protection Act amended the organizational structure of the FLEC by assigning the Director of the Consumer Financial Protection Bureau to serve as the Vice Chairman of the FLEC.<sup>8</sup>

#### *National Strategy for Financial Literacy*

In July 2009, the FLEC established the National Strategy Working Group (NSWG) to develop a new national strategy to promote financial literacy and education. This strategy, *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011*, builds upon the first 2006 national strategy<sup>9</sup> and presents a vision of sustained financial well-being for individuals and families in our Nation. Developed through a collaborative process featuring contributions from private, public, and non-profit representatives from the field, this document establishes strategic direction for policy, education, practice, research, and coordination in the financial literacy and education field. Specifically, the strategy identifies four goals to focus Federal efforts: increase awareness of and access to effective financial education; determine and integrate core financial competencies; improve financial education infrastructure; and identify, enhance, and share effective practices. The FLEC is currently developing an accompanying implementation strategy designed to achieve the goals outlined above. A release date has yet to be determined.

<sup>5</sup> Tasking a single entity to develop and administer financial literacy initiatives for groups with vastly different needs, such as schoolchildren versus retail investors, would require the development of expertise, experience, and relationships with state, local, and private providers, that already exist in the responsible agencies – in this example, the Department of Education and the U.S. Securities and Exchange Commission, respectively.

<sup>6</sup> Pub. L. No. 108-159, 117 Stat 1952 (2003) (codified at 20 U.S.C. §§9701-08). Available at <http://www.gpo.gov/fdsys/pkg/PLAW-108publ159/pdf/PLAW-108publ159.pdf>.

<sup>7</sup> The 22 Federal agencies and entities include: the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Board of Governors of the Federal Reserve System; the Bureau of Consumer Financial Protection; the Federal Deposit Insurance Corporation; the National Credit Union Administration; the Securities and Exchange Commission; the Departments of Education, Agriculture, Defense, Health and Human Services, Housing and Urban Development, Labor, Treasury, and Veterans Affairs; the Federal Trade Commission; the General Services Administration; the Small Business Administration; the Social Security Administration; the Commodity Futures Trading Commission; the Office of Personnel Management; and the White House Office of Public Engagement.

<sup>8</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat 1376 (2010), section 1013 (codified at 12 U.S.C. §5493 *et seq.*). Available at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>.

<sup>9</sup> Financial Literacy and Education Commission, *Taking Ownership of the Future: The National Strategy for Financial Literacy*, Apr. 2006.

*Challenges Facing the Financial Literacy and Education Commission*

As required by *Financial Literacy and Education Improvement Act*, GAO assessed the FLEC's effectiveness, presenting their findings in a December 2006 report<sup>10</sup> as well as follow-up testimony before this Subcommittee in April 2007 and 2009.<sup>11</sup> GAO reviewed the Commission's progress in developing a national strategy; developing a website and hotline; and coordinating Federal efforts with state, local, nonprofit, and private sectors.

GAO found that the National Strategy for Financial Literacy was a useful first step, but that it was more descriptive than strategic and lacked key characteristics such as setting clear goals and performance measures, identifying the resources needed to accomplish goals, or establishing roles and responsibilities.

GAO reported that the Commission's website consisted largely of links to other websites but little original content, was constrained by limited resources and competing priorities, and had not been tested for usability and customer satisfaction. GAO reported that use of the hotline was limited, possibly because of limited promotion.

Lastly, GAO reported that the Commission had taken action to coordinate the Federal financial literacy efforts, bringing agencies together regularly for formal and informal financial literacy meetings, and centralizing information on financial literacy. However, the Commission faced multiple challenges, including difficulty in reaching a consensus among all participating Federal agencies, resource and staffing challenges, and limited legal authority.

GAO's 2009 assessment of the Commission's progress found the FLEC had addressed several of GAO's recommendations contained in the December 2006 report. GAO noted the FLEC's progress in fostering partnerships with state, local, and non-profit financial literacy providers; partially initiating independent reviews to assess potential overlap of Federal financial literacy activities; and conducting a survey to measure customer satisfaction with the FLEC's MyMoney.gov website. However, GAO also found several issues remained outstanding, as the 2006 National Strategy for Financial Literacy remained largely descriptive and the FLEC continued to face challenges directly related to constrained resources.<sup>12</sup>

The FLEC has stated that the 2011 National Strategy incorporates changes in accordance with the outstanding GAO recommendations; however a formal assessment cannot be conducted until the implementation strategy is released.

<sup>10</sup> United States Government Accountability Office, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, Dec. 2006 (GAO 07-100), available at <[www.gao.gov/highlights/d07100high.pdf](http://www.gao.gov/highlights/d07100high.pdf)>.

<sup>11</sup> Statement of Richard J. Hillman, Managing Director of Financial Markets and Community Investment, before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, 29 Apr. 2009, available at <<http://www.gao.gov/new.items/d09638t.pdf>>; Statement of Yvonne D. Jones, Director of Financial Markets and Community Investment, United States Government Accountability Office, before the Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia, 30 Apr. 2007, available at <<http://www.gao.gov/new.items/d07777t.pdf>>.

<sup>12</sup> Statement of Richard J. Hillman, Managing Director of Financial Markets and Community Investment, before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, 29 Apr. 2009, available at <<http://www.gao.gov/new.items/d09638t.pdf>>.

### Key Agency Initiatives

#### *U.S. Department of Education*

The Excellence in Economic Education Act was enacted in 2001 as part of the No Child Left Behind Act (P.L. 107-110). This Act promotes economic and financial education targeted to students ranging from kindergarten to grade twelve by awarding grants and sub-grants to nonprofit providers of financial education. A nationwide network of state councils for economic education and university-based centers has emerged from the program.<sup>13</sup>

#### *U.S. Securities and Exchange Commission (SEC)*

The SEC Office of Investor Education and Advocacy (OIEA) is undertaking a study of financial literacy among retail investors. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress required the SEC to assess financial literacy among retail investors and subgroups of retail investors and identify methods to improve the disclosure investors receive before hiring a financial professional or purchasing a financial product.<sup>14</sup> The SEC also must identify the most effective existing private and public efforts to educate investors. Finally, the SEC must develop a strategy to raise financial literacy among investors and achieve positive change in investor behavior. The study is intended to be the first truly comprehensive, nationwide assessment of financial literacy among U.S. retail investors.<sup>15</sup>

#### *Consumer Financial Protection Bureau (CFPB), Office of Servicemember Affairs (OSA)*

The Dodd-Frank Wall Street Reform and Consumer Protection Act created the OSA within the CFPB.<sup>16</sup> OSA is authorized to work in partnership with the Pentagon to see that military personnel and their families receive strong financial education; to monitor their complaints about consumer financial products and services; and to coordinate efforts by Federal and state agencies to improve consumer financial protection measures for military families.<sup>17</sup>

### Relevant Legislation

**Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203)** – An Act to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end “too big to fail”, to protect the American taxpayer by

<sup>13</sup> Additional information available at the Excellence in Economic Education webpage: <http://www2.ed.gov/programs/econeducation/index.html>.

<sup>14</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat 1376 (2010), section 917 (codified at 12 U.S.C. §5301 *et seq.*). Available at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>.

<sup>15</sup> Schock, Lori J. “Remarks at Money Smart Week: A Financial Literacy and Education Summit.” Charleston, WV. 19 Oct. 2010. Available at <http://www.sec.gov/news/speech/2010/spch101910ljs.htm>.

<sup>16</sup> Pub. L. No. 111-203, Section 1013(e).

<sup>17</sup> Statement of Hollister K. Petraeus before the House Committee on Veteran Affairs. 09 Feb. 2011. Available at <http://www.consumerfinance.gov/speech/testimony-of-holly-petraeus-before-the-house-committee-on-veterans-affairs/>.

ending bailouts, to protect consumers from abusive financial services practices, and for other purposes. <http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

**Credit Card Accountability Responsibility and Disclosure Act of 2009 (Public Law 111-88)**

– An Act to amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, and for other purposes.

<http://www.gpo.gov/fdsys/pkg/PLAW-111publ24/pdf/PLAW-111publ24.pdf>

**Fair and Accurate Credit Transactions Act of 2003 (Public Law 108-159)** – An Act to amend the Fair Credit Reporting Act, to prevent identity theft, improve resolution of consumer disputes, improve the accuracy of consumer records, make improvements in the use of, and consumer access to, credit information, and for other purposes. <http://www.gpo.gov/fdsys/pkg/PLAW-108publ159/pdf/PLAW-108publ159.pdf>

**Additional Information**

Financial Literacy and Education and Commission website: [www.mymoney.gov/](http://www.mymoney.gov/)

The Department of the Treasury's Office of Financial Education website:  
[www.treas.gov/offices/domestic-finance/financial-institution/fin-education/](http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/)

The President's Advisory Council on Financial Literacy  
<http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/council/>

U.S. Securities and Exchange Commission's Office of Investor Education and Advocacy website: [www.investor.gov](http://www.investor.gov)

Financial Literacy and Education Summit 2010:  
<http://www.practicalmoneyskills.com/summit2010/webcast.php>

GAO's April 29, 2009, testimony by Richard J. Hillman, Managing Director of Financial Markets and Community Investment, before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, on the Financial Literacy and Education Commission: <http://www.gao.gov/new.items/d09638t.pdf>

GAO's December 2006 Report to Congressional Committees, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy* (GAO-07-100): [www.gao.gov/highlights/d07100high.pdf](http://www.gao.gov/highlights/d07100high.pdf)

Comptroller General David Walker's Presentation delivered to the National CPA Financial Literacy Commission on December 11, 2006, *Increasing Financial Literacy in America* (GAO-07-284CG): <http://www.gao.gov/cghome/d07284cg.pdf>

GAO's November 2004 Report to Congressional Committees, *Highlights of a GAO Forum: The Federal Government's Role in Improving Financial Literacy* (GAO-05-93SP): <http://www.gao.gov/new.items/d0593sp.pdf>

Statement by

Ben S. Bernanke

Chairman

Board of Governors of the Federal Reserve System

provided for the record

of a hearing conducted by the

Subcommittee on Oversight of Government Management,  
the Federal Workforce, and the District of Columbia

of the

Committee on Homeland Security and Governmental Affairs

U.S. Senate

Washington, D.C.

April 12, 2011

Chairman Akaka, Ranking Member Johnson, and members of the Subcommittee, thank you for inviting me to submit a statement for the record. As April is Financial Literacy Month, I am pleased to highlight the importance of financial literacy to a stable and healthy economy and to describe some of the Federal Reserve System's efforts to help Americans make informed financial decisions.

The recent crisis demonstrated the critical importance of financial literacy and good financial decisionmaking, both for the economic welfare of households and for the soundness and stability of the system as a whole. Good financial choices depend on reliable and useful information, presented in an understandable way. Essential components of personal financial management include an understanding of how to budget strategically, use credit, save to build personal wealth, and shop for and choose suitable financial products.

The Federal Reserve recognizes that informed, educated consumers not only achieve better outcomes for themselves but, through careful shopping for and use of financial products, help to increase market efficiency and innovation. Our approach to assisting consumers to successfully navigate the financial marketplace has been three-pronged: First, we have worked diligently to foster financial and economic education. Second, we conduct research on consumer decisionmaking that helps to identify what works in financial education and informs the regulatory process. Third, in recognition that basic financial knowledge is not sufficient to safeguard people from fraud and deceptive practices, we have promulgated strong consumer protection rules and consumer-tested required financial product disclosures to ensure they present information clearly and in a useful format. We vigorously enforce consumer protection laws to ensure that providers of consumer financial products act fairly and comply with the spirit and letter of the rules.

### **Financial and Economic Education**

In our dynamic and complex financial marketplace, financial education must be a life-long pursuit that enables consumers of all ages and economic positions to stay attuned to changes in their financial needs and circumstances and to take advantage of products and services that best meet their goals. Well-informed consumers, who can serve as their own advocates, are one of the best lines of defense against the proliferation of financial products and services that are unsuitable, unnecessarily costly, or abusive.

#### ***Financial Education from the Federal Reserve***

The Federal Reserve has provided unbiased, credible, research-based financial information and educational materials, in print and on the Internet, for many years. We offer publications--in both English and Spanish--that provide consumers tips on a broad range of topics, from avoiding mortgage foreclosure scams to managing a checking account. More recently, the Federal Reserve Board has developed interactive webpages with up-to-date information on regulatory changes that affect consumer financial products and services. These webpages offer information in plain language and in an easy-to-understand format; they also provide links to calculators, additional resources, and other relevant material. The Board's "What You Need to Know" series provides user-friendly information and tools about new terms, disclosures, and protections for credit card accounts, overdraft protection programs, gift cards, credit decisions and credit scores, and notices of mortgage transfers.<sup>1</sup> Since the series webpage was launched in February 2010, more than 366,000 web views have been logged, with 60 percent of those visits for credit card information.

The Federal Reserve Banks, through their Community Affairs offices, have developed financial education materials and programs on topics that range from establishing banking

---

<sup>1</sup> See Board, "What You Need to Know Series," webpage, [www.federalreserve.gov/consumerinfo/wyntk.htm](http://www.federalreserve.gov/consumerinfo/wyntk.htm).

accounts to building wealth. For example, the Federal Reserve Bank of Chicago, as part of Financial Literacy Month, offers free classes and activities during its “Money Smart Week.” In events developed in cooperation with local organizations and firms, young people and adults learn about financial matters ranging from opening a savings account to applying for a mortgage. Several Federal Reserve Banks are also actively involved in “Bank On” programs that help cities and financial institutions bring unbanked and underbanked consumers into the financial mainstream by educating them about the benefits of having a bank account and using other banking services.

Exposing young people to financial concepts is particularly important. Students can be particularly vulnerable to the temptations of taking on excessive debt, such as credit card debt. And the earlier that young people can develop basic financial skills, the more likely it is that they will make good financial decisions when they become adults. The Federal Reserve is committed to helping teachers and schools work more effectively with students as they develop their financial literacy. For example, the Federal Reserve provides a financial and economic education website with a variety of resources for teachers, and students of various ages and knowledge levels.<sup>2</sup> The site offers educational games, classroom lesson plans, online publications, and multimedia tools. Federal Reserve Banks offer teachers professional development opportunities to improve their ability to teach personal finance topics. A number of Federal Reserve Banks also organize personal finance essay, video, and academic competitions for students. We encourage students and teachers to visit Federal Reserve Bank learning centers and museums, which feature interactive exhibits about many aspects of banking, the financial system, and the economy.

---

<sup>2</sup> See the Federal Reserve Education website at [www.federalreserveeducation.org](http://www.federalreserveeducation.org).

### ***Collaboration in Financial Education***

In addition to conducting its own programs, the Federal Reserve collaborates with numerous organizations and agencies that educate and counsel individuals from a broad range of audiences. Our long-standing partnership and role on the board of NeighborWorks America supports homebuyer, foreclosure, and mortgage modification counseling to lower-income consumers and communities. We have helped these and other organizations--such as American Savings Education Council, Junior Achievement, the Council for Economic Education, the National Endowment for Financial Education, and America Saves--develop, implement, and evaluate personal finance awareness and education programs. In addition, we have worked with the Jump\$tart Coalition, American Library Association, the AARP, the National Council of La Raza, the National Association of School Boards, and the Congressional Black Caucus to increase awareness of our financial and economic education resources.

We also collaborate with other federal government agencies on education and outreach initiatives. Since 2004, the Board has participated in the Financial Literacy and Education Commission (FLEC), which is composed of representatives from 22 federal agencies and coordinates financial education resources offered by the federal government. To support the FLEC's mission, Board staff members have served on Commission task forces to develop its website, national strategy, and research agenda.

### **Research and Evaluation**

As part of our policy research mission, the Federal Reserve dedicates considerable resources to the study of consumer economics and consumer behavior. Our work includes the development of valuable new data and empirical studies in these areas. For example, for many decades the Board's Survey of Consumer Finances has provided one of the most important

sources of information on the assets, debts, and wealth of American households.<sup>3</sup> The Federal Reserve has also developed substantial expertise in assessing and drawing policy conclusions from a range of consumer financial data, such as data from credit records or data on mortgages provided by lenders under the Home Mortgage Disclosure Act.

The Federal Reserve has been involved in studying the efficacy of financial education in helping people make better financial decisions. For example, several years ago, researchers in the Board's Division of Consumer and Community Affairs joined with Army Emergency Relief to conduct a longitudinal study of the effect of a two-day financial education program on soldiers' financial management. In general, studies show that financial education for young adults is most effective when it is both timely and relevant. At the same time, research has also provided important insight into other factors that contribute to the development of personal financial skills, such as general education levels, family experiences and parental influence, access to financial services (for example, having a savings account while growing up), and income level.<sup>4</sup> These findings underscore the importance of early and ongoing education as well as experience with financial products in helping people make good financial choices.

We have also analyzed alternative approaches to financial education. For example, the economic education staff at the Federal Reserve Bank of Philadelphia investigated the effectiveness of a personal finance course that uses a specific curriculum, "Keys to Financial

<sup>3</sup> The Board's Survey of Consumer Finances is available at [www.federalreserve.gov/PUBS/oss/oss2/scfindex.html](http://www.federalreserve.gov/PUBS/oss/oss2/scfindex.html).

<sup>4</sup> See Catherine Bell, Daniel Gorin, and Jeanne M. Hogarth (2009), "Does Financial Education Affect Soldiers' Financial Behaviors?" paper presented at the Federal Reserve System Community Affairs Research Conference, held in Washington, April 16-17, [www.kansascityfed.org/publicat/events/community/2009carc/Hogarth.pdf](http://www.kansascityfed.org/publicat/events/community/2009carc/Hogarth.pdf); Catherine Bell and Jeanne M. Hogarth (2010), "Better Deals on Wheels: The Effects of Financial Education on Car Buying," Federal Reserve Bank of Minneapolis, *Community Dividend*, April, [www.minneapolisfed.org/publications\\_papers/pub\\_display.cfm?id=4399](http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=4399); Catherine J. Bell, Jeanne M. Hogarth, and Daniel R. Gorin (2009), "Teaching for the Test, and Life Is the Final Exam," paper presented at the annual conference of the Association for Financial Counseling and Planning Education, held in Scottsdale, Ariz., November 18-20, available at [www.afcpe.org/conference/past-conferences.php](http://www.afcpe.org/conference/past-conferences.php); and Catherine J. Bell, Daniel Gorin, and Jeanne M. Hogarth (2010), "What Makes a Good Money Manager Good? Insights from an Evaluation of an Education Initiative," paper presented at the 56th Annual Conference of the American Council on Consumer Interests, held in partnership with the Federal Reserve Bank of Atlanta, Atlanta, Ga., April 14-16.

Success.” This semester-long course is taught by teachers who attended a 30-hour training course. A 50-question exam administered before and after the course showed that students who took the course had a statistically significant increase in their personal finance achievement, compared with a control group of students of the same age who were not exposed to the program.<sup>5</sup>

#### **Consumer Protection Regulation and Enforcement**

Although financial education is a critical first line of defense, it is not a substitute for strong and effective regulations that safeguard consumers against abusive and fraudulent practices. The Board has been the primary federal agency charged with writing rules governing consumer financial products, and in recent years, we have issued rules for mortgages, credit cards, student loans, and overdraft protection programs, among others. We have also maintained a robust compliance program to ensure that banks under our purview adhere to these rules.

As you know, our consumer-protection rulemaking authority and our consumer-protection supervisory and enforcement authority over some of the nation’s largest financial institutions will transfer to the Bureau of Consumer Financial Protection, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Board will retain some relevant rule-writing authorities (for example, under the Community Reinvestment Act) as well as supervisory authorities for smaller financial institutions that we also regulate for safety-and-soundness purposes. We are working closely with the Department of the Treasury and the new Bureau to facilitate the necessary transfers of authorities and personnel.

---

<sup>5</sup> See Andrew T. Hill, Bonnie T. Meszaros, and Brian Tyson (2011), “Evidence of Student Achievement in a High School Personal Finance Course,” paper presented at the Allied Social Science Associations conference, held in Denver, Colo., Jan. 6-9.

Regardless of how the regulatory and supervisory responsibilities are distributed, a comprehensive approach--one that includes education, research, and regulation--remains essential to ensuring that consumers receive adequate protections and that markets for consumer financial products function well. The Board will work collaboratively with the Bureau and other agencies to help individuals and families make the best choices for their financial futures.

For your reference, I am attaching some examples of financial literacy programs and outreach that are available from the Federal Reserve.

## Appendix A

---

### FEDERAL RESERVE SYSTEM COMMUNITY AFFAIRS OFFICES FINANCIAL EDUCATION FOR CONSUMERS AND COMMUNITIES

The 12 Federal Reserve Banks offer a broad range of programs for nonprofit organizations, government agencies, and financial institutions that work to improve financial education and access to services for lower-income consumers and communities. The following is a representation of the wide range of leadership, resources, training, and research that the Federal Reserve System's Community Affairs offices have undertaken to support financial education within the community economic development field. Additional information about the Federal Reserve's Community Affairs offices can be found at [www.federalreserve.gov/communitydev/default.htm](http://www.federalreserve.gov/communitydev/default.htm).

#### ASSET AND WEALTH BUILDING

##### Atlanta

- The Bank provided leadership and assistance that resulted in the convening of numerous regional meetings throughout Florida to gain input on asset policies and needs. The Bank also supported the Florida Prosperity Partnership, the Georgia 4 Pro\$perity, the Alabama Asset Building Coalition, and the Tennessee Alliance for Financial Independence initiatives.

##### Dallas

- The Bank's key asset-building work is centered around the educational resource *Building Wealth*, the Bank's most requested publication and the most frequently downloaded page on the Bank's website. The *Building Wealth* program includes a booklet (in both English and Spanish), an online tool, and a train-the-trainer course.
- In partnership with RAISE Texas, a network of organizations that support asset-building activities, the Bank sponsored four rural asset-building forums in 2010.
- The Bank and the Texas Department of Banking hosted a webinar on financial education in the workplace. The CFO of Randall's Food Markets discussed her experience of using *Building Wealth* to teach financial education seminars to more than 400 employees throughout Texas.

##### Kansas City

- Community Affairs partnered with the Oklahoma Native Assets Coalition and First Nations Development Institute to conduct a symposium on asset-building programs and policies for representatives of Native American tribes.

## Appendix A

---

### ***BANKING THE UNBANKED***

#### **Atlanta**

- Community Affairs staff played key roles in the development of statewide asset-building organizations and provided valuable support to regional and statewide “Bank On” initiatives, including developing curricula to train bank and credit union employees to meet the needs of unbanked and underbanked individuals establishing banking relationships with their institutions.

#### **Dallas**

- Bank staff developed a guide (in both English and Spanish) about opening a bank account for the “Bank On” campaign.

#### **Kansas City**

- Community Affairs staff provided leadership in the development of “Bank On” initiatives in Kansas City, Omaha, Denver, and New Mexico. The Bank also partners with “Bank On—America Saves of Greater Kansas City,” which is the first pilot in the country to combine the two programs.

#### **New York**

- The Bank supports the “Bank On” campaigns for Manhattan and Newark, New Jersey.

#### **San Francisco**

- Community Affairs staff facilitated the creation of new Jump\$tart affiliates and convened a regional group of Jump\$tart state leaders for training sessions. Staff also built new financial education and asset-building collaborative groups from scratch in areas that lack an existing networking mechanism or where networking is more challenging, such as in rural areas.
- The Bank supports the ongoing growth of the “Bank On” programs throughout the District, including San Francisco, Oakland, San Jose, Los Angeles, Nevada, Eastern Oregon, Central Oregon, and Idaho, to promote access to mainstream financial services by advising new communities on the best practices identified by existing programs.
- In 2010, Community Affairs staff focused on exploring alternatives to payday lending and overdraft charges to meet consumers’ need for unsecured short-term consumer debt. The program convened several conferences and meetings to discuss the role that credit unions and alternative financial services providers can play in addressing this need.

#### **St. Louis**

- The Bank collaborated extensively with the “Bank On” campaign in seven cities throughout the District.

## Appendix A

---

### ***CREDIT MANAGEMENT***

#### **Kansas City**

- Community Affairs hosted a “Be Credit Smart Workshop” in Omaha for small business owners and aspiring small business owners on personal finances as they prepare to apply for bank financing.
- The program hosted a webinar for District financial educators on the history, provisions, and implementation of the Credit Card Act of 2009.

### ***FORECLOSURE/MORTGAGE LOAN MODIFICATIONS***

#### **Atlanta**

- In 2010, Community Affairs sponsored 14 events in 11 cities throughout the District that focused on mortgage delinquencies, foreclosures, and foreclosure scams. Technical assistance and data were provided to 19 organizations, ranging from federal and local governments to nonprofit entities, to help inform policy decisions and develop effective intervention programs. The program participated in 10 additional events intended to maximize local neighborhood stabilization efforts, improve mediation practices, increase efficiencies in loan modification practices, and inform consumers of available foreclosure prevention resources.
- The Bank’s “Foreclosure Response Podcast Series,” initiated in 2009, concluded with the production of the 12th podcast in January 2010. A second installment began in the fall of 2010, with three more podcasts added to the series. Topics include vacant properties, best practices in REO programs, Neighborhood Stabilization Program follow-up, and rural foreclosure issues.

#### **Dallas**

- Community Affairs staff provides leadership for the Texas Foreclosure Prevention Task Force and facilitated the formation of the Border Foreclosure Prevention Task Force.
- The Bank hosted foreclosure scam alert forums and webinars focused on educating elected officials, community-based organizations, housing counselors, and other stakeholders on the increasing number of homeowners falling prey to foreclosure scams.

## Appendix A

---

### Kansas City

- Community Affairs co-hosted housing conferences in each state in its District to address affordable housing and foreclosure issues. In Missouri, the conference sparked an effort to create a statewide foreclosure task force.
- The Bank partnered with the Dallas Reserve Bank to develop the “Foreclosure Mitigation Toolkit Update.”
- Community Affairs conducted the Foreclosure Resource Development Roundtable, focusing on emerging issues and the progress made in combating foreclosure-rescue scams.
- Bank staff worked to help initiate a new regional foreclosure scam prevention campaign that uses United Way’s 2-1-1 help line to reach distressed borrowers in eastern Missouri and western Kansas, including Wichita.
- Community Affairs hosted a seminar to raise awareness on the prevalence and types of foreclosure scams in Oklahoma and resources that community organizations can use to address them.
- The Bank sponsored a forum that explored the successes and challenges of the Home Affordable Modification Program, or HAMP, and examined the potential results of the new Home Affordable Foreclosure Alternatives, or HAFA, program that is intended to streamline short sales. A panel of real estate, appraisal, and REO (real estate owned) experts presented.
- Community Affairs hosted a statewide foreclosure counselor training in Colorado.

### Richmond

- In 2010, the Bank held four foreclosure prevention events in Maryland and Virginia, serving nearly 1,700 borrowers. In addition, Community Affairs sponsored three tenants and foreclosure events in Maryland, the District of Columbia, and Virginia.
- Community Affairs staff trained 95 pro bono attorneys in Baltimore and the surrounding areas in Maryland to assist troubled borrowers facing foreclosure and new homeowners closing loans to prevent mortgage fraud.

### St. Louis

- The Bank held a news conference to increase public awareness of the loan modification scams. The attorneys general from Missouri and Illinois participated, along with a representative of the Federal Trade Commission (FTC) and NeighborWorks America.

## Appendix A

---

### San Francisco

- Community Affairs staff organize borrower outreach events, train housing counselors, work with servicers to improve the modification process, and engage law enforcement agencies and community groups to raise awareness about foreclosure scams.
- To fill the gap in the area of foreclosure recovery, staff collaborated with Atlanta Reserve Bank to create a new foreclosure recovery guide for individuals who have undergone foreclosure. The guide is directed toward local communities and addresses issues such as relocation, credit repair, job training, and mental health issues. This publication was introduced through a series of local convenings and leveraged by encouraging community groups and local governments to work together to address post-foreclosure issues.

### RESEARCH

#### Atlanta

- The Community and Public Affairs offices partnered with the American Council on Consumer Interests to host the annual research conference in April 2010. The conference convened researchers from across the country to share study findings on issues including foreclosure, financial education and literacy, and consumer implications of health care reform.

#### Kansas City

- Community Affairs conducted a series of focus groups throughout the District to uncover and understand the perceptions and preferences of unbanked or underbanked consumers. The research findings are being used to inform lenders, municipal leaders, and financial educators on ways to transition the unbanked and underbanked into a relationship with a regulated financial institution and to encourage communities to partner on solutions.

#### Philadelphia

- Community Affairs research staff wrote a paper evaluating the success of a high school personal finance curriculum that the Bank created with the University of Delaware and the Delaware Bankers Association.

#### San Francisco

- The research team engaged a UC Berkeley master's student to explore the opportunities and challenges for passing a state mandate for financial education in California. As a result of this research, the team partnered with the Minneapolis Reserve Bank and the University of Arizona to convene a two-day workshop for 25 of the top financial education researchers nationwide to improve the evaluation and effectiveness of youth financial education research.

## Appendix A

---

- The Community Affairs research team conducted an in-depth qualitative evaluation of an innovative youth financial education program run by a credit union in San Francisco's Mission District that explores the effectiveness of prize-linked savings accounts.

### **St. Louis**

- Community Affairs collaborated with the Social Systems Dynamics Lab at Washington University to conduct a qualitative research initiative to develop a systemic understanding of financial services choices of unbanked African Americans in the city of St. Louis and the inner-ring suburbs. The goal is for the study's findings to inform the design of financial services that meet the needs of low- to moderate-income families and individuals.

### **Federal Reserve System**

- The Community Affairs offices hold a biennial research conference to foster research and present the most recent research on community economic development strategies, including the efficacy of financial education programs such as homebuyer/foreclosure counseling, asset building programs, and credit management and repair training. Information about the 2011 conference and prior conferences can be found at [www.chicagofed.org/webpages/in\\_focus/cedric/index.cfm](http://www.chicagofed.org/webpages/in_focus/cedric/index.cfm).

## Appendix B

---

### FEDERAL RESERVE SYSTEM FINANCIAL EDUCATION FOR YOUTH

The 12 Federal Reserve Banks offer a wealth of programs for educators and students. Below is only a sample of the wide range of publications, lesson plans, multimedia resources, professional development opportunities, and tools aimed at promoting financial education among youth. These and more can be accessed on the Federal Reserve System's online portal at [www.federalreserveeducation.org](http://www.federalreserveeducation.org).

#### ***PUBLICATIONS AND LESSON PLAN UNITS***

- *Cards, Cars and Currency* is a curriculum unit that challenges students to become involved in three specific areas of personal finance: credit cards, debit cards, and purchasing a car.
- *It's Your Paycheck!* is designed for use in high school personal finance classes. The curriculum contains three sections: "Know Your Dough," "KaChing!," and "All About Credit."
- *Keys to Financial Success*, a comprehensive high school personal finance program promoted by the Federal Reserve Bank of Philadelphia, provides teachers with the training, lessons, and materials necessary to teach students how to be financially savvy.
- *Katrina's Classroom: Financial Lessons from a Hurricane* is a free, DVD-based curriculum developed to teach middle and high school students and their parents the importance of being financially prepared, especially in times of crisis.
- *Building Wealth* is a personal finance education resource for schools, nonprofit community organizations, financial services providers, and consumers to help young people, adults, families, and others develop a plan for building personal wealth.
- Children's literature lesson plans use popular youth books to teach personal finance lessons.
- *Piggy Bank Primer* is a student workbook that uses a story and activities to introduce students to economic concepts such as saving, spending, budgeting, wants, goods, services, and opportunity cost.
- *Great Minds Think: A Kid's Guide to Money* is an interactive booklet that introduces children to concepts such as earning, spending, budgeting, and saving.
- *Econ Ed Live* is a set of online courses for students that include interactive activities, podcasts, and more.

## Appendix B

---

### **PROGRAMS FOR STUDENTS**

- Live classroom videoconference sessions with Federal Reserve staff, presented right in the classroom
- Essay contests like the Federal Reserve Bank of Cleveland's *Be the Change You Want to See!* creative writing challenge for high school students
- Video competitions, such as the *Share the Wealth Challenge: A Financial Literacy Video* contest for undergraduate students to promote the importance of financial literacy
- *Reserve Cup*, a literacy quiz show competition for high school students that tests their knowledge on a variety of financial topics and economics
- *Money Smart Week* (MSW), a series of free classes and activities designed to help consumers better manage their personal finances
- Tours of Reserve Bank exhibits and museums

### **PROFESSIONAL DEVELOPMENT**

- In March 2011, the Federal Reserve Bank of New York hosted "The Federal Reserve in the 21st Century," a symposium for college professors that included presentations by the Bank's senior staff.
- *Personal Finance for the Middle School Classroom* is a professional development program that provides middle school teachers with methods for teaching personal finance topics such as personal decisionmaking, saving, investing, budgeting, and the wise use of credit.
- *Making Sense of Money and Banking* is a teacher workshop covering money, banking, and the Federal Reserve System.
- Newsletters for educators, such as the Federal Reserve Bank of Richmond's 5E Educator, offer K-12 educators content, lesson plans, and updates on free resources from the Federal Reserve System.

Post-Hearing Questions for the Record  
Submitted to the Honorable Gene L. Dodaro  
From Senator Daniel K. Akaka

**"Financial Literacy: Empowering Americans to Make Informed Financial Decisions"**  
April 12, 2011

1. **In your testimony, you noted that providing Americans with the information they need to make responsible financial decisions is key to their well-being and the economic health of our Nation. Given the importance of financial literacy to all Americans, do you believe the Federal Government has a legitimate role in empowering Americans to make informed financial decisions?**

Support for financial literacy is one of the roles given federal agencies by Congress, which it has expanded and deepened in recent years. For example, in 2003, Congress created the Financial Literacy and Education Commission and charged it with, among other things, coordinating federal efforts and developing a national strategy for financial literacy.<sup>1</sup> More recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act required the establishment of an Office of Financial Education within the new Bureau of Consumer Financial Protection.<sup>2</sup> In other cases financial literacy has been a natural expansion of many federal agencies' deep and longstanding—and, in some cases, unique—expertise and experience serving specific populations or addressing specific issue areas. For example, the Department of Health and Human Services provides information on financial implications of Medicare choices and the Securities and Exchange Commission seeks to protect securities investors from fraudulent schemes. One advantage that government agencies hold is that they can serve as objective and unbiased sources of information, particularly in terms of helping consumers make wise decisions about selection of financial products and services.

2. **Over the course of a lifetime, an individual is likely to make several life-changing financial decisions; thus the concept of financial literacy must be thought of as an evolving, lifelong skill. The wide range of Federal financial literacy initiatives recognizes the need for a dynamic approach to delivering financial education that is targeted and tailored to the unique goals and requirements of a given target audience, such as schoolchildren, prospective homeowners, investors, servicemembers, veterans, and the unbanked.**

**However, some have interpreted the diverse array of Federal financial literacy initiatives as evidence of duplication and wasteful government spending. During the hearing, you noted that the March 2011 U.S. Government Accountability Office (GAO) report, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, did not find evidence of duplication among Federal**

<sup>1</sup> Pub. L. No. 108-159, Title V, 117 Stat. 2003 (Dec. 4, 2003) (codified at 20 U.S.C. §§ 9701–08).

<sup>2</sup> Pub. L. No. 111-203, Title X, § 1013(d), 124 Stat. 1376, 1966 (2010).

**financial literacy programs. Rather, the GAO report emphasized the need to effectively coordinate financial literacy activities among Federal agencies.**

**Despite these findings, calls have been made to consolidate or eliminate Federal financial literacy programs until only three or four remain. Does evidence exist indicating this type of drastic consolidation would increase the effectiveness or efficiency of Federal financial literacy efforts? Are there alternative approaches, such as enhanced coordination and collaboration, which Congress could also consider?**

We have recently started work to follow up on the findings related to financial literacy that appeared in our March 2011 report, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue (GAO-11-318SP). This new engagement will address the extent and impact of duplication, overlap, or fragmentation among federal financial literacy activities. We will also report on what is known about the cost, effectiveness, and coordination of these activities. As part of this work, we will consider various options for improving the efficiency and effectiveness of federal financial literacy efforts. Depending on the results of our audit work, these options could include the consolidation of selected programs as well as alternative approaches, such as improving coordination and collaboration and enhancing federal partnerships with the state, local, nonprofit and private sectors. To provide additional insight on these issues, this fall I will be hosting a Comptroller General's Forum on financial literacy that will bring together experts to consider the optimal roles, responsibilities, and resource allocation among the various federal players.

- 3. To be informed citizens, Americans must be financially literate about the difficult fiscal choices we face as a Nation. How can we make sure the voting public is financially literate about their government's finances?**

The need for Americans to understand the financial condition of the nation, as well as the various fiscal choices that are proposed to deal with it, is critical. Since 2007, the Office of Management and Budget and the Department of the Treasury, with input from GAO, have produced a Citizen's Guide to the Financial Report of the United States Government, in order to highlight, and make more accessible, important information about the financial position and condition of the U.S. Government and actions taken by the Government to deal with the financial crisis. GAO also has information on our web site about the Long Term Fiscal Outlook of the U.S. Government and the Federal Debt, which can be found at <http://www.gao.gov/special.pubs/longterm/>. GAO continues to look for ways to inform the American public about how the federal government allocates its resources. By making this information more accessible, it will increase the public's ability to provide informed input to policymakers about future government spending.

- 4. I authored a provision in the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring GAO conduct a study of mutual fund advertising and its effect on investor behavior. This provision seeks to improve protections in advertising to**

**ensure individuals can make informed investment decisions. Please provide an update on the status of this study.**

In response to Title IX, Section 918 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we have undertaken a review examining (1) the existing and proposed regulatory requirements for mutual fund advertisements and how the regulators administer and enforce them, (2) what recent advertising practices are being used by the mutual fund industry, and (3) what is known about the impact of mutual fund advertisements on investors. To address these objectives, we have reviewed regulatory rules and requirements related to mutual fund advertisements, including proposed Securities and Exchange Commission and Financial Industry Regulatory Authority (FINRA) rules and public comments received on those rules. We also conducted a literature review of existing studies and reports related to these issues. Additionally, we interviewed a selection of companies that have filed mutual funds advertisements for review with FINRA in 2009. We met with agency officials to discuss the methods used to enforce the regulatory rules and requirements and the process FINRA uses to review fund advertisements. We reviewed a random sample of 300 fund advertisements that were submitted to and approved by FINRA during calendar years 2006-2010. We are currently completing our analysis and preparing a draft of our product, which we expect to release in July 2011.

**Post-Hearing Questions for the Record  
Submitted to the Honorable Brenda Dann-Messier  
From Senator Daniel K. Akaka**

**“Financial Literacy: Empowering Americans to Make Informed Financial Decisions”  
April 12, 2011**

1. *Since 2004, we have appropriated \$1.5 million every year for the Excellence in Economic Education (Triple-E) program. Please describe how these Triple-E resources have been used and address in detail how the Administration will ensure Triple-E initiatives continue to be fully funded?*

Please see the attached report on the Excellence in Economic Education program, which was submitted to Congress earlier this year, for a detailed description of the use of funds.

The Administration expects to make continuation awards to the Excellence in Economic Education grantee through FY 2014, based on adequate performance of the grantee and the availability of appropriations from Congress. The President’s FY 2012 Budget Request, which is aligned with the Administration’s proposal for reauthorizing the Elementary and Secondary Education Act (ESEA), includes a request for nearly \$250 million for the Effective Teaching and Learning for a Well-Rounded Education program, which would support continuation awards as well as new awards for economics and financial literacy.

2. *One focus of the Triple-E program is investing in teacher training and curriculum development to improve the quality of financial education. Are you aware of any other financial resources outside of the Triple-E program having been designated for this purpose?*

In September 2010, the Department of Education (Department) made a \$1.7 million grant using funds from the Fund for the Improvement of Education/Programs of National Significance appropriation to the Tennessee Department of Education (TDE) for the “Financial Education for College Access and Success” program. TDE is developing high school and middle school instructional materials that emphasize financial decisions related to investing in postsecondary education. These will be developed as open educational resources available to educators in all States. TDE will also provide in-service training to high school and middle school personal finance teachers in Tennessee. A rigorous evaluation will determine the effectiveness of the materials and training.

While the Department does not have other funds specifically dedicated for these purposes, personal finance teacher training and curriculum development are allowable activities under certain other programs we administer, such as the College Access Challenge Grant and Promise Neighborhoods programs. Personal finance teacher training and curriculum development could be funded through other programs such as Investing in Innovation if there is sufficient evidence that indicates the approaches proposed are likely to increase student success, such as improving math scores or increasing college enrollment rates.

3. *An important component of financial literacy is empowerment through access. I am very interested in the Department of Education's partnership with the Federal Deposit Insurance Corporation and the National Credit Union Administration to provide financial accounts and services to students. What is the implementation status of this initiative, and are there plans to replicate this promising partnership to reach more students?*

The National Credit Union Administration (NCUA) has committed that its mini-grant program for low-income credit unions will emphasize school partnerships, and Department staff have presented at several NCUA regional conferences to encourage credit union executives to partner with schools and Department grantees.

The Federal Deposit Insurance Corporation (FDIC) has sent letters to all FDIC-insured institutions encouraging them to engage in school partnerships and has offered to provide training and technical assistance to interested banks. It is providing technical assistance to the Department's GEAR UP and TRIO grantees on using the Money Smart financial education program and is making financial access a key part of its Money Smart pilot program involving approximately 20 minority-serving institutions.

At the Department, we have included an invitational priority in the FY 2011 GEAR UP application to encourage grantees to implement financial access and savings programs, along with financial and economic literacy activities, in order to increase college entry and success. Over 300 potential applicants joined a recent Webinar hosted by private sector partners about how to include these approaches in GEAR UP applications. We are examining our portfolio of programs to identify additional opportunities to include a financial access and savings priority or otherwise incentivize these activities.

The three agencies will soon have a Web page available with links to sample strategies and Federal and other resources for implementing them and are working closely with the Treasury Department to build a student focus into the Bank On USA program.

4. *Student loan default rates have been increasing, and since the majority of students enrolled in higher education are receiving some type of financial aid, I am concerned this problem may worsen. How can existing financial literacy and student counseling activities be improved to reduce future student loan defaults?*

*and*

5. *Our students' ability to finance and pay for their education is critical to support a skilled workforce at the core of our national competitiveness. Providing adequate financial literacy for students and their families is an important component of aiding this effort. Could you please share with us your thoughts about the intersection of financial literacy and college completion rates?*

The Department believes that promoting financial literacy, along with other consumer-focused initiatives, can help students and their families make the most informed decisions about where to attend college and how to pay for it. These initial decisions are among the factors that ultimately affect students' debt burdens and potentially influence whether students reach graduation. Accordingly, the Department has taken a number of steps to further inform prospective students about the benefits and challenges of financing a college education and to support students so they stay in school long enough to graduate. The Department is committed to doing its part, in its own programs and in coordination with others, to help all students—from the earliest learners to adults—develop the knowledge and skills needed to make the best-informed decisions for themselves, their families, and their communities.

For example, last year, the Department created the Financial Education for College Access and Success program. This initiative provides funds for State-led efforts to, among other things, improve student financial literacy. As I mentioned in my testimony, this program will enable the Tennessee Department of Education to develop and evaluate new instructional materials—which will be available at no cost to States—that help middle school and high school teachers prepare their students for financial decisions related to investing in postsecondary education. This initiative is aimed, in part, at identifying the most effective financial education practices and making the findings and materials public so all students have access to the best financial education available.

Even when students are counseled in advance of choosing among the many different postsecondary education options available, we have observed that the information that is available is sometimes overwhelming, confusing, and difficult to use. We believe students and their families should be able to readily compare colleges and the financial assistance packages they offer.

To address this important need, in 2008, Congress included in the Higher Education Opportunity Act (HEOA), and the Department is implementing, a number of initiatives to help students and their families make such comparisons. For example, the Department's College Navigator Web-based consumer tool provides students and their families with information about how much they can expect to pay and how much aid they can expect to receive at a postsecondary institution. This system allows a student to get information beyond a school's tuition, which can often be a misleading indicator of the school's true cost of attendance. In addition, the HEOA requires all institutions of higher education to have their own net price calculators on their Web sites by October 2011. We will soon unveil a new College Affordability and Transparency Center to provide information on postsecondary institutions' published tuitions and net prices, ranked from high to low and indicating which institutions' prices are climbing fastest. And we are developing a model financial aid award letter that, if adopted, would make it easier for students to compare financial aid offers across schools. The Department believes these tools will help students make more informed financial decisions about the postsecondary school they will attend.

Once enrolled in higher education, choosing how to pay for school and whether and how much to borrow are decisions that can have lasting consequences. Student loans are a powerful tool for bringing higher education within reach, but like any tool, student loans can be misused. For most students, borrowing to pay for college will be one of the best investments of their lives.

However, as you note, student loan defaults are on the rise, and we have a responsibility to make sure that all students have access to the information they need to make the most appropriate financial decisions. As you may know, over the past two years, the Department has taken a number of steps to make available to students selecting a school more objective financial information, including in the recently released “gainful employment” regulations. These rules will help students make more informed choices in part because they require the disclosure of program costs and completion, placement, and loan repayment rates.

The Department will continue its work in promoting financial literacy to ensure that students and families have the tools they need to make the financial decisions that are right for them.

**Post-Hearing Questions for the Record  
OIEA Director Lori J. Schock  
US Securities and Exchange Commission  
From Senator Daniel K. Akaka**

**“Financial Literacy: Empowering Americans to Make Informed Financial  
Decisions”  
April 12, 2011**

1. *The U.S. Securities and Exchange Commission (“the Commission”) has encountered funding challenges to establishing the Office of the Investor Advocate. How are the responsibilities and obligations of the Investor Advocate being met by the Commission in the interim, and how will a fully-funded Office of the Investor Advocate enhance the Commission’s ability to protect and represent the interests of retail investors?*

Section 915 requires, among other things, that the Investor Advocate assist retail investors with problems they may have with the Commission or a self-regulatory organization (SRO), identify areas in which investors may benefit from changes in regulation, and analyze Commission rules from the perspective of the individual investor. While the budget uncertainty and lack of reprogramming authorization has caused the Commission to defer creation of the Office of the Investor Advocate, these functions continue to be handled by the Office of Investor Education & Advocacy.

2. *As Americans of all ages embrace new social media platforms, traditional methods of delivering financial education may become less effective. How is the Commission modernizing outreach efforts for investor education and protection initiatives?*

The SEC is committed to reaching individual investors through as many platforms as possible, including through social media platforms. In addition to helping us reach investors where many of them are; i.e., on-line, social media has the added benefit of being a very resource-efficient way to communicate. For example, we publish Investor Alerts and Bulletins on the SEC’s website, SEC.gov, as well as on Investor.gov. But we also disseminate them through a variety of other channels, including a designated RSS feed, Gov.delivery, press releases, and our Twitter account, @SEC\_Investor\_Ed. As of this week, we had over 20,000 followers of our Twitter account. We plan to continue to explore the possible utilization of other social media tools to reach more individual investors with limited additional cost, especially given constraints on our resources.

3. *I am concerned mutual fund advertisements overly emphasize a fund's past results, even though this information may not be indicative of future performance. As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the U.S. Government Accountability Office is studying the impact of mutual fund advertising practices on investor decisions. Based on your expertise, how might investor decisions be negatively influenced by mutual fund advertising that places undue, or misleading, emphasis on past performance?*

As we all know, past performance is not necessarily a reliable indicator of future performance. So we tell investors not to be dazzled by last year's high returns. For example, newly created or small funds sometimes have excellent short-term performance records. Because these funds may invest in only a small number of stocks, a few successful stocks can have a large impact on their performance. But, as these funds grow larger and increase the number of stocks they own, each stock has less impact on performance. This may make it more difficult to sustain initial results. That said, while past performance does not necessarily predict future returns, it can help show how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. So, we don't tell investors to ignore past performance – but we do tell them to understand that it is only one factor of many they should consider when making an investment decision.

4. *As a former educator, I am a strong champion of improving the quality of education by providing educators with innovative training and professional development opportunities, such as the SEC Graduate Program. I am also an advocate of conducting rigorous program evaluation to ensure training initiatives are effective and efficient. How is the Commission evaluating the effectiveness of the SEC Graduate Program in preparing teachers to educate students on the importance of the financial marketplace in their lives and the global economy?*

Last July, more than thirty educators from across the country attended the inaugural SEC Graduate Program, a four-day workshop that focused on the securities markets, investor protection, and the federal government's oversight role. SEC Chairman Mary Schapiro, SEC Commissioner Elisse Walter and a host of SEC staff led training sessions during the program. Additional training sessions were led by, among others, representatives from the White House, the Federal Reserve, the Department of Treasury, the Department of Education, and Commodity Futures Trading Commission. Last year was our inaugural session, and we've been following up (including in person) with many attendees. We intend to do the same this year, allowing us to get a more clear picture of what works best in terms of reaching teachers and students.

Post-Hearing Questions for the Record  
Submitted to Acting Director Joshua Wright  
From Senator Daniel K. Akaka

**“Financial Literacy: Empowering Americans to Make Informed Financial Decisions”  
April 12, 2011**

1. ***Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011*** (“2011 National Strategy”) places a strong emphasis on enhancing current collaboration and coordination efforts of Federal agencies through the Financial Literacy and Education Commission (FLEC). How can Congress best support the FLEC to ensure this goal is achieved and the 2011 National Strategy is effectively implemented in a coordinated and crosscutting manner?

Currently, the Financial Literacy and Education Commission (the Commission) entities are reviewing the National Strategy Implementation Plan. The Plan will be implemented by the Commission as a collaborative effort, although each of the federal entities in the Commission will have their own implementation strategy. Non-federal government entities such as non-profits, foundations, state and local governments, and private sector organizations will also be encouraged to develop implementation plans.

The Commission will also serve four key functions during the implementation process: encouraging Commission members to develop innovative action plans that can serve as models for other organizations; establishing a coordinated summary of current financial literacy and education activities; creating a system in which organizations can report their implementation of initiatives related to the 2011 National Strategy; and sharing accomplishments and best practices

2. **The underbanked often access credit through predatory, high-cost loans. Defenders of these types of loans argue these products are necessarily expensive due to the higher costs and risks associated with lending to lower-income consumers. However, past efforts, including the Federal Deposit Insurance Corporation’s Small Dollar Loan Pilot Program, have demonstrated that banks can safely and consistently make affordable loans to consumers with weaker credit histories. Have mainstream financial institutions overstated the credit risk of lending to the underbanked? And, if so, how can we address these inaccurate perceptions to improve financial access for the underbanked?**

Millions of families depend on high-cost, often predatory loans that create cycles of debt that are difficult to break and create significant financial hardships. Small dollar lending programs authorized under Title XII of Dodd-Frank would help combat predatory lending by promoting affordable small dollar loans on reasonable terms. In addition, encouraging innovations, such as use of new technology to reduce cost to serve customers, using new distribution channels or formats to improve accessibility in terms of hours of operation or location, or providing alternative financial services integrated with an account, that are intended to increase access to

lower-cost, mainstream financial services could also improve access to small, affordable loans. Appropriations for Title XII of Dodd-Frank would enable Treasury to work on spurring the private sector to engage in this type of needed innovation. Treasury also continues to partner with Commission agencies to encourage banks and credit unions to meet the financial service needs of unbanked and underbanked (individuals who have a bank account but still rely on alternative financial services) communities.

3. **Federal partnerships with state, local, nonprofit, and private organizations have the potential to strengthen financial literacy efforts. The importance of partnerships was highlighted in the FLEC's first national strategy, *Taking Ownership of the Future: The National Strategy for Financial Literacy 2006*, and in the recent March 2011 Government Accountability Report, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*. What specific initiatives and actions are the FLEC member agencies and entities taking to promote partnerships that improve Federal financial literacy efforts?**

As part of the 2011 National Strategy for Financial Literacy, the Commission outlined four goals, including one to improve the financial education infrastructure. The Commission hopes to strengthen partnerships and other collaborative opportunities to improve and enhance coordination between public and private-sector financial education programs to reach key audiences efficiently and effectively and equip consumers with needed financial skills. The implementation of the 2011 National Strategy will highlight the many partnerships already developed by the federal agencies comprising the FLEC as well as lead to new partnerships that combine areas of expertise and provide comprehensive and helpful information for consumers and businesses, particularly small businesses.

In 2007, The U.S. Office of Personnel Management and the Department of the Treasury partnered to establish the National Financial Education Network, a network of state and local government officials and their professional/trade associations to improve collaboration on financial education efforts among federal, state, and local agencies. The National Financial Education Network meetings currently serve to inform members of national and local initiatives about "in the field" approaches which can then be utilized in policy decisions and program implementation. The 2011 National Strategy for Financial Literacy also clearly points to the role of state and local government agencies in advancing financial capability.

In addition, the President's Advisory Council on Financial Capability, established by Executive Order, has formed a few subcommittees (Partnerships, Financial Access, Youth, and Research and Evaluation) to accomplish its charge to advise the President and the Secretary of the Treasury on the promotion and enhancement of financial capability among the American people. One of the subcommittees focuses on the importance of partnerships and public and private-sector coordination for improved financial capability. The Treasury Department looks forward to receiving the Council's recommendations in this area.

4. **The 2011 National Strategy indicates that the FLEC will coordinate with the President's Advisory Council on Financial Capability and with the Consumer Financial Protection Bureau (CFPB) to implement the 2011 National Strategy and achieve its goals. How is the FLEC integrating the efforts of the CFPB and Advisory Council into existing crosscutting efforts to achieve the strategy's goals in the most efficient and effective manner possible?**

The Office of Financial Education and the implementation team for CFPB are working together to coordinate future efforts, clearly define roles for Treasury's and CFPB's financial education offices, and prevent duplication. To ensure continued coordination, the Director of the CFPB will serve as the Vice Chairman of the Commission, as mandated by the Dodd-Frank Act. Although the CFPB's Office of Financial Education is still under development, the CFPB will be focused on educating consumers, with a particular focus on supporting the development of educational and decision-making tools that complement disclosure and transparency activities as well as help consumers comprehend and assess information. Treasury will continue leading the Commission, including coordinating the implementation of the national strategy, providing a common technology platform like MyMoney.gov for information sharing, and working to identify potential duplicative efforts of Commission members. In addition to coordinating with Treasury, the CFPB also will work with the other federal agencies comprising the FLEC to provide consumers with comprehensive information and tools.

The President's Advisory Council on Financial Capability (PACFC) and the FLEC are working closely together. The PACFC's Financial Access Subcommittee and the Commission's Financial Access Working Group are in direct communication with each other, as are the PACFC's Research and Evaluation Subcommittee and the Commission's Research and Evaluation Working Group so that efforts in these two areas are coordinated. The Commission's National Strategy Implementation Working Group, in the course of developing the implementation of the national strategy, has consulted the chair of the PACFC's Partnerships Subcommittee to gain her insights on the private sector's views.

5. **What can the FLEC do to promote successful financial education models and develop a set of best practices for future initiatives to draw from and build on?**

Implementing and evaluating promising programs and practices in order to learn how to reproduce them effectively is critical, as is sharing information among researchers and practitioners. Commission research resources are spread across member agencies that have their own objectives. The research and evaluation strategy of the Commission is designed to coordinate and encourage research across its member agencies in order to support the development of effective programs.

The Commission has initiated activities intended to help evaluate financial education models and highlight successful practices:

- This Commission is conducting an assessment of all its member entities' research activities related to financial literacy. All Commission research and evaluation activities

will be cataloged and linked to Commission research objectives to look for opportunities to leverage resources and coordinate activities across member agencies.

- As part of MyMoney.gov, the Commission is establishing a web-based Financial Capability Research Clearinghouse.
  - Relevant data resources that contain research on financial literacy topics will be identified.
  - A web-based database of relevant research and evaluation studies will be established.
  - New research and information will be shared.
- The Commission will establish a network of research experts to facilitate interaction with Commission member agencies.
- The Commission will promote the development of common evaluation metrics to measure success.

**6. One of the 2011 National Strategy's goals is to identify and share best practices. What additional resources, if any, are needed to carry out the objectives set forth in the strategy and achieve this goal?**

The goal of identifying and sharing best practices can be met without any additional resources. MyMoney.gov provides a robust platform through which best practices can be highlighted and shared, and the Commission's current plans, particularly the plans of the research and evaluation subcommittee, include identifying best practices.

**7. Financial literacy is a broad, cross-cutting issue that encompasses a diverse range of topics. Over the course of a lifetime, an individual is likely to make several life-changing financial decisions; thus the concept of financial literacy must be thought of as an evolving, lifelong skill.**

**The broad array of Federal financial literacy initiatives recognizes the need for a dynamic and diverse service delivery approach that promotes financial education through targeted initiatives tailored to the unique goals and requirements of a given target audience, such as schoolchildren, prospective homeowners, investors, servicemembers, veterans, and the unbanked. What steps is the FLEC taking to identify critical knowledge and skills gaps in financial literacy, and what steps are being taken to specifically target these populations?**

The Commission has taken the following steps in identifying gaps:

- On behalf of the Commission, the Departments of Treasury and Agriculture convened a National Research Symposium on Financial Literacy and Education in 2008. Experts from the fields of behavioral and consumer economics, financial risk assessment and financial education evaluation were invited to summarize existing research findings and define questions for future analysis. Based on the results of this symposium, the Commission identified ten research questions that inform outcomes-based financial education, relevant public policy, and effective practice leading to personal and family financial security<sup>1</sup>. One of the ten priorities addresses “[h]ow do financial socialization and education processes vary by gender, life stage, race, socioeconomic status, education and ethnicity? The FLEC Research and Evaluation Subcommittee plan to conduct an assessment of these priorities to determine the findings.
- In 2009, the Commission established the Core Competencies Working Group to provide national leadership for developing financial core competencies<sup>2</sup> as identified in the Research Symposium. The purpose of the Core Competencies is to establish a clear understanding about what individuals should know and the basic concepts program providers should cover. The Core Competencies are particularly important in establishing a baseline of knowledge, which is crucial for both individuals and providers of financial education. It allows these parties to address the current lack of consistency in various financial literacy programs in identifying their goals and objectives, how program success is measured, and what financial information and problem-solving skills participants can be expected to acquire. The Department of the Treasury, in conjunction with the Commission’s Core Competencies Working Group, identified five core concept areas: (1) earning, (2) spending, (3) saving and investing, (4) borrowing, and (5) protecting against risk, as well as specific core competencies for each area. The Commission is currently translating the core competencies into an accessible format.
- In 2009, Treasury contracted with the RAND Labor and Population, a unit of the RAND Corporation, to review Commission agencies’ programs and activities, identify similarities and differences as well as to categorize them by purpose, content, delivery

<sup>1</sup>What are the core principles of personal finance that every consumer needs to know, and what evidence exists that current standards are effective in helping people reach their financial goals?; What are reliable and valid measures of the success for financial education, and what measures should be used to document success for various financial topic areas and target audiences?; What is the most effective mix of financial education, decision framing, and regulation to improve financial well-being?; How do socialization factors, including conflicting messages, influence and affect household financial behavior?; How do financial socialization and education processes vary by gender, life stage, race, socioeconomic status, education and ethnicity?; How do financial education, financial socialization, and psychological factors interact, and how does this interaction affect financial well being?; How do people perceive and manage risk, and what are their financial risk tolerances and capacities?; How do economic shocks alter risk exposure and risk management choices both at the individual and household levels?; What are effective coping strategies and behaviors during times of financial crisis?; How do relevant theories of financial behaviors and attitudes apply to various subgroups (i.e., age, socioeconomic status and ethnicity) and contribute to improving financial well-being currently and over time?

<sup>2</sup> The Commission Core Competencies Working Group is made up of representatives from the Treasury (including the Internal Revenue Service), the Department of Health and Human Services, Office of Personnel Management, and the Federal Deposit Insurance Corporation.

method, target audience, and evaluation method. Most FLEC programs reported targeting one or more key population groups such as the young, the elderly, women, immigrants, or employees. For example, Department of Labor's WiSeUp financial education program targets Generation X and Y women. Federal Trade Commission's YouAreHere targets secondary school students. With respect to measuring knowledge, about seven programs reported administering a formal test to gauge financial knowledge or capacity.

- In 2011-2012 as part of the implementation of the 2011 National Strategy, the Commission will survey its members and will update programs and activities described in the *Federal Financial and Economic Programs, 2009* report produced by the RAND Labor and Population. Commission members will be asked to describe their financial literacy and education programs and identify: measurable goals that are in place or that would be implemented for these programs and respective evaluations; agency resources allocated to these programs; and existing efforts that are underway or could be planned that relate to one or more of the 2011 National Strategy goals.

**Post-Hearing Questions for the Record  
Submitted to Director Holly Petraeus  
From Senator Daniel K. Akaka**

**“Financial Literacy: Empowering Americans to Make Informed Financial Decisions”  
April 12, 2011**

- 1. Reserve and guard forces are being called up to active duty to ensure our Nation’s safety. What do you believe are the key differences between the consumer protection needs of the families of the reserve component when they are in Title 10 status versus Title 32 status?**

For the purposes of this question, I will assume that “Title 10 status” refers to active duty and “Title 32 status” refers to non-active, reserve status. There are key differences between the consumer protection needs of reserve component families when the servicemember is activated and when he or she is not. During Title 32 status the family’s consumer protection needs are largely those of the typical American consumer. Upon a servicemember’s call to active duty, his or her family may face significant financial changes. For example, household income may increase or decrease depending on the servicemember’s civilian job and salary. In addition, household expenses, such as child care costs, may increase due to the absence of the deployed family member.

While families of servicemembers in Title 32 status may need to be educated on how to plan for these changes, families of servicemembers in Title 10 status need to be educated on how to adapt their habits, including spending and savings, to their new financial situations. Many reserve component families will do better financially when military pay and benefits kick in, especially if the deployment is to a combat zone with income tax exemption provisions and extra combat pay and allowances. They need to be encouraged to plan for what they will do with that extra income – and for how they will adjust when that extra income is no longer being received. Unmarried servicemembers who are deployed may face special challenges managing their financial affairs from afar and should be educated on how to invoke identity theft protections such as an “active-duty alert.”

Finally, families of servicemembers in Title 10 status should be educated on the entitlements and special protections for which they may qualify under the Servicemembers Civil Relief Act (SCRA), the John Warner National Defense Authorization Act for Fiscal Year 2007, and other laws. For example, the SCRA protects military personnel who are called to active duty by lowering the interest rate to 6 percent on certain debts incurred before entering active duty, including mortgage and credit card loans. Additionally, the SCRA provides certain protections from foreclosure for the home of a servicemember on active duty.

2. **Each military service has an office dedicated to assisting the financial needs of their men and women in uniform stationed at their base. What are your plans to consolidate 'best practices' from these existing offices to ensure the best financial advice is being given to all?**

We are in regular contact with the Office of the Assistant Secretary of Defense for Military Community and Family Policy, which oversees the financial readiness programs of the Army, Navy, Air Force, and Marine Corps. We plan to reach out to each of the managers of these programs as needed. We also plan to employ a staff member dedicated to evaluating existing financial education programs (both those within the Department of Defense (DoD) system and those being taught by non-governmental organizations), determining "best practices," and developing and revising curricula as needed. As a first step in this process, beginning in June, we plan to observe the financial training currently being given to Basic Trainees by the different branches of the service. We think it is important to understand both the reality and theory of such training before pronouncing "best practices" and recommending changes.

3. **There are many financial institutions, such as United Services Automobile Association or First Navy Federal that are focused on meeting the needs of servicemembers. Do you feel you can maximize your efforts by partnering with institutions such as these based on the large volume of military clientele they handle?**

As you correctly observe, there are many financial institutions that draw the majority of their customer base from the military community. Some of these institutions offer financial education and assistance as part of their services and therefore are likely to have developed specialized knowledge of the financial education needs of military families. We are certainly interested in learning about the financial education products and services these institutions offer and have already had a number of conversations with members of the military banking and defense credit union community.

4. **One of the most important and complicated purchases a servicemember will make is a home for his or her family. The additional expenses that come with home ownership make effectively managing a family budget very challenging. How will helping servicemember plan for homeownership fit into your organization's mission?**

Many military members, like their civilian counterparts, dream of home ownership. VA loans with no down payment required make homeownership attractive to the military. However, the frequent moves that often mark a military career make a home purchase more challenging. For the active duty servicemember, the prospect of buying a home when young and living in it until the mortgage is paid off is generally an impossibility. For servicemembers who own homes, a new assignment in a different locality may trigger a financial crisis. A budget that works when the servicemember is assigned to the community where the home is located suddenly may not work when Permanent Change of Station orders come in. The home may not be able to be sold for enough to settle the

debt, and potential rental income may not be sufficient to cover monthly mortgage payments, assuming a renter can be found. Our envisioned education plan for the military will certainly devote special attention to helping servicemembers plan for homeownership, including consideration of “worst-case” scenarios. In addition to providing education for those who plan to buy a home when young, we will also need to target servicemembers closer to retirement. These servicemembers may qualify for a loan based on their pre-retirement military income, but their post-retirement income, especially in a down economy, may not be sufficient to cover their mortgage payments. Home ownership is an American dream, but it has to be a realistic one that does not lead to dire scenarios such as foreclosure and wrecked credit. It will be part of our job to teach that hard fact.

5. **In your testimony, you mentioned that you will encourage your enforcement team to take action against financial providers who break the law. What criteria will you use as a threshold for determining when legal action should be taken and what will define your authority?**

The Consumer Bureau’s enforcement authority is defined by statute. The enforcement division will consider a variety of factors in determining which cases to pursue, including the extent and type of harm to consumers, the nature and pervasiveness of the illegal conduct, and the degree to which enforcement activity will clarify the “rules of the road” for all concerned.

6. **I am pleased that you have already begun outreach efforts to bases to determine where you can make the most significant impact. What is your strategy to ensure that the Office of Servicemember Affairs receives information from members, or bases regarding threats to servicemember consumer safety?**

We are pursuing a number of avenues to ensure that the Office of Servicemember Affairs receives timely information regarding threats to servicemember consumer safety. First, we will continue to request input during visits to military installations. We have also begun to ask for individual input by disseminating a special email address, [military@treasury.gov](mailto:military@treasury.gov), in meetings with the military, at public appearances and in media interviews. We are working closely with the Department of Defense (to include their Judge Advocate General’s Corps which provides legal services and hears consumer complaints). In addition, we have established two-way communication with other agencies and organizations that may hear about military issues, such as the Department of Justice, the Federal Trade Commission, and the National Association of Attorneys General, as well as non-profit organizations that serve the military population.

7. **The Department of Veterans Affairs provides support to spouses who have lost loved ones serving in the military. The loss of a family member is never easy, and spouses are often left to make difficult financial choices. How can you help protect spouses during these challenging times?**

Surviving spouses face an onslaught of financial information, opportunities, and decisions at a time when their grief is fresh and they are least able to process the information. The casualty assistance officer assigned by the military is only able to assist them for a limited time and usually is not an expert on the complicated financial decisions that need to be made. As you note, the Department of Veterans Affairs now has a federally-mandated Office of Survivors Assistance to provide support to surviving spouses and family members. There are also a number of non-profits devoted to providing assistance and information to this group. As part of our education role, the Office of Servicemember Affairs will help inform surviving family members of these resources, and may offer special presentations to survivor groups. Surviving spouses will also be able to send complaints to our complaint hotline and access our regular consumer education offerings.

**Strategy for Assuring Financial Empowerment (SAFE) Report**

**Submitted by**

**The Financial Literacy and Education Commission**

**April 2011**

## TABLE OF CONTENTS

### Strategy for Assuring Financial Empowerment (SAFE) Report April 2011

Introduction:.....	4
I. Overview of the purpose and duties of the Financial Literacy and Education Commission...	4
II. Implementation of the duties of the Commission.....	5
III. Status of the National Strategy for financial literacy and education .....	6
IV. Assessment of the success of the Commission in implementing the national strategy.....	7
V. Assessment of the availability, utilization, and impact of Federal financial literacy and education materials.....	8
VI. Information concerning the content and public use of MyMoney.gov and My Money Toll- free hotline.....	10
a. MyMoney.gov.....	10
b. My Money toll-free hotline, 1-888-MyMoney .....	11
VII. Status of survey of financial literacy and education materials .....	11
VIII. Status of hearings conducted by the Commission.....	13
IX. Status of activities of the Commission planned for the next fiscal year.....	15
X. Summary of Federal financial literacy and education activities targeted to underserved communities .....	16
XI. Review of materials related to the Commission.....	19

**APPENDICES:**

- A. Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011
- B. Federal Financial and Economic Literacy Programs, 2009
- C. Amendment to Federal Financial and Economic Literacy Programs, 2009

**Introduction:**

The recent economic crisis has highlighted how essential it is that individuals and families have the information, education, and tools that they need to make informed financial decisions in an increasingly complex United States and global financial system. As we have learned, the financial difficulties of individuals and families can dramatically affect the financial health of local communities and regional markets. The crisis has also illustrated that the financial well-being of individuals and families is fundamental to national financial stability, and a lack of financial literacy can lower standards of living and limit prosperity.

Today, many Americans are rediscovering the importance of living within their means. They're building assets by saving more, paying down debt, and growing more careful about how they borrow and invest. These changes are necessary and healthy and, ultimately, they will build economic security for American families and make our economy stronger and more resilient.

We now have an opportunity to further commit to financial literacy and capability by providing financial education opportunities to American citizens so they may utilize that knowledge to make informed financial decisions. Financial literacy and capability empowers Americans to build stronger financial futures and prepare for life events such as homeownership, higher education for themselves or their children, and retirement.

The Financial Literacy and Education Commission ("Commission") was established to improve the financial literacy and education of persons in the United States. This report contains an overview of the purpose and duties of the Commission and information regarding the implementation of the Commission's principal duties.

**I. Overview of the purpose and duties of the Financial Literacy and Education Commission**

The Financial Literacy and Education Improvement Act, which is in Title V of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) (P.L. 108-159), was enacted on December 4, 2003, and established the Commission to improve the financial literacy and education of persons in the United States. The Act named the Secretary of the Treasury (Treasury) as Chairperson of the Commission and mandated the Commission's composition to include the heads of 20 Federal entities: Office of the Comptroller of the Currency (OCC); Office of Thrift Supervision (OTS); Board of Governors of the Federal Reserve System (FRB); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Securities and Exchange Commission (SEC); Departments of Education (ED), Agriculture (USDA), Defense (DoD), Health and Human Services (HHS), Housing and Urban Development (HUD), Labor (DOL), and Veterans Affairs (VA); Federal Trade Commission (FTC); General Services Administration (GSA); Small Business Administration (SBA); Social Security Administration (SSA); Commodity Futures Trading Commission (CFTC); and Office of Personnel Management (OPM).

In January 2010, the White House, represented by the Office of Public Engagement (OPE), formally joined the Commission. In July 2011, the Bureau of Consumer Financial Protection (CFPB) will formally join the Commission; the CFPB Director will serve as Vice Chairman, per the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 (P.L. 111-203).

The FACT Act tasked Treasury's Office of Financial Education to lend its expertise and provide primary support to the Commission.

The purpose of the Commission is to "improve the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education" (Title V, Sec. 513). The principal duties of the Commission include:

1. encouraging government and private sector efforts to promote financial literacy;
2. coordinating financial education efforts of the Federal government;
3. developing a national strategy to promote financial education;
4. establishing a national financial education Web site to provide a coordinated point of entry for information about Federal financial literacy and education programs and grants; and
5. establishing a toll-free hotline available to the public seeking information about issues pertaining to financial literacy and education.

## **II. Implementation of the duties of the Commission**

The Department of the Treasury is honored to lead the Commission and to report on the significant activities the Commission members collaboratively have undertaken over the past year. In January of 2010, the White House, represented by the Office of Public Engagement, formally joined the Commission. Its membership underscores the Administration's commitment to these issues and to the Commission.

Additionally, the Commission identified key priorities based on its Congressional mandate. The Commission members agreed on five areas of strategic focus and created working groups for each: National Strategy, Outreach and Communications, Core Competencies, Research and Evaluation, and Financial Access. Each working group has made considerable progress, with important leadership and involvement from all of the member agencies.

Commission members unanimously agreed that a new national strategy was needed. The economic hardship of recent years and the increased complexity of financial products coupled with a new understanding about financial education and financial capability made a new strategy imperative. More details about the national strategy will be provided in subsequent sections.

On the outreach front, Commission members decided to undertake a major redesign of the Commission Website. In April 2010, the Commission launched its redesigned [www.MyMoney.gov](http://www.MyMoney.gov). The new site, available in both Spanish and English, has enhanced interactive features and utility to provide more resources to Americans seeking information that can inform their personal financial decisions.

The Core Competencies Working Group was created to address the lack of a common understanding of what the field collectively is trying to achieve. The Core Competencies Working Group identified five core concept areas: (1) earning, (2) spending, (3) saving and investing, (4) borrowing, and (5) protecting against risk. Knowledge and action items were

developed for each concept. The ultimate goal is to put a widely agreed upon set of core competencies into a format and language that are easily accessible and easily remembered.

More rigorous evaluation and research is needed to advance the goals of financial education and to determine what approaches are most effective. To encourage such research, as well as collaboration among agencies and other experts, the Research and Evaluation Working Group is in the process of developing an electronic catalogue of federal and non-federal research on financial capability to be used by researchers, practitioners, and policymakers and an online web application for users to self assess their financial knowledge and skills and provide users with appropriate financial educational materials based on their scores. All materials will be available on MyMoney.gov.

### **III. Status of the National Strategy for financial literacy and education**

Title V of the FACT Act requires the Commission to “develop a national strategy to promote basic financial literacy and education among all American consumers”... and “coordinate Federal efforts to promote basic financial literacy and education.” To comply with that directive, Treasury worked with the Commission members and, in 2006, published *Taking Ownership of the Future: The National Strategy for Financial Literacy* (“the Strategy”). The Strategy reviewed the progress toward financial literacy at that time and proposed calls to action, which were implemented between 2006 and 2009.

In July 2009, the Treasury Department convened a special Commission meeting to review the Commission’s approach to carrying out its purpose and role. As part of that process, Commission members set up a working group to craft a new national strategy, *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011* (“National Strategy 2011”). Twelve Commission members volunteered to serve on the National Strategy Working Group (NSWG).

Over the ensuing months, the NSWG undertook a comprehensive and inclusive process that included reviewing strategic documents from other nations and other agencies as well as reaching out to a wide range of stakeholders in the field of financial education for input.

As part of this inclusive process to develop the National Strategy 2011, the Treasury, on behalf of the Commission, published a request for comments in the Federal Register on September 3, 2010. There were 69 unique responses to the Federal Register Notice, with 29 percent of responses coming from non-profits, 20 percent from private businesses, 18 percent from trade associations, 15 percent from private citizens, and 12 percent from the public sector – mostly state-level official commenters. Comments were also provided from representatives of three foreign nations.

Comments showed significant support for the National Strategy 2011’s vision, mission, goals, and objectives: 89 percent of the respondents agreed with the vision, 87 percent agreed with the mission, 81 percent agreed with the goals, and 94 percent agreed with the objectives. The NSWG carefully considered all the comments and made revisions to the National Strategy 2011 to enhance its clarity and usefulness.

The National Strategy 2011 provides a roadmap for organizations providing financial education and provides goals to help organizations guide Americans toward financial well-being. It will help ensure that financial education efforts support and advance the elements of the strategy.

The NSWG has identified four goals and corresponding objectives for the National Strategy 2011:

1. Increase awareness of and access to effective financial education;
2. Determine and integrate core financial competencies;
3. Improve financial education infrastructure; and
4. Identify, enhance, and share effective practices.

The National Strategy 2011 can be found in Appendix A and online at <http://www.mymoney.gov/about-us.html>.

#### **IV. Assessment of the success of the Commission in implementing the national strategy**

The purpose of the National Strategy 2011 is to create an overarching strategic framework that all organizations involved with personal finance education, research, practice, and policy will find useful to help guide their work over the next several years. The aim is for stakeholders across the country – within the Federal government and beyond – to develop, implement, and evaluate specific objectives that support and advance the elements of the National Strategy 2011 as we work together to achieve our shared vision of financial well-being for all people in the United States.

By design, the framework for the National Strategy 2011 represents a broad overview. Achieving the National Strategy 2011's mission requires that each organization, individually and collectively, implement effective tactics. The Commission suggests ways that organizations can implement the strategy. However, this is not the final implementation plan. The Commission will continue to work on recommendations for how the Commission, its members, and other organizations, can best incorporate the National Strategy 2011 into their activities and initiatives, and will release an implementation plan in 2011.

As a first step in the implementation process, the Commission recommends that all organizations involved with personal-finance education, research, practice, and policy should:

1. embrace the strategy mission;
2. distribute the strategy widely;
3. choose one or more of the goals and build relevant, measurable objectives;
4. seek opportunities to coordinate efforts with others; and
5. focus on evidence-based outcomes.

At the Federal level, the Commission recommends that each of its members use the National Strategy 2011 to inform and complement their own efforts at promoting financial literacy and education. In addition, the Commission will take the following steps:

1. Ask each Commission member to incorporate the mission, vision, and goals of the National Strategy 2011 into their respective programs and activities as appropriate.
2. Incorporate the National Strategy 2011 goals and related objectives into the work of each Commission working group so that the Commission can test approaches, provide best practices, and report on results.
3. Provide leadership in promoting the National Strategy 2011 goals and objectives that are national in scope.
4. Provide information and views to the President's Advisory Council on Financial Capability on the level of progress in achieving the goals and objectives of the National Strategy 2011 in the private sector.
5. Encourage the implementation of a pilot program of stakeholders to identify customized strategies that address local needs.

**V. Assessment of the availability, utilization, and impact of Federal financial literacy and education materials**

Title V of the FACT Act (Sec. 514) requires the Commission to review Federal activities designed to promote financial literacy and education. Additionally, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (P.L. 111-24), required the Secretary of Education and the Director of the Office of Financial Education of the Department of the Treasury, in coordination with the President's Advisory Council on Financial Literacy, now the President's Advisory Council on Financial Capability<sup>1</sup>, to evaluate and compile a comprehensive summary of existing Federal financial and economic literacy education programs, and report to Congress on its findings.

The Departments of Treasury and Education, in 2009, conducted a survey of 21 Federal entities, with the objective of obtaining a comprehensive catalogue of existing Federal programs. RAND Labor and Population was contracted to analyze survey data and highlight program similarities and differences as well as categorize them by purpose, content, delivery method, target audience, and evaluation method. The resulting report, *Federal Financial and Economic Programs, 2009*, also provides a brief overview of the financial literacy and education literature and recommendations for future evaluations.<sup>2</sup> Following is a brief description of findings as they relate to availability, utilization, and impact, as well as key recommendations from the report.

<sup>1</sup> The name was changed to emphasize the need not only for knowledge (financial literacy), but also for the necessary financial access and skills to translate that knowledge into better financial behaviors and choices. Together, this set of knowledge, access, and skills comprises financial capability.

<sup>2</sup> The Departments of Treasury and Education adapted the following definition, for the purpose of cataloguing Federal financial and economic literacy education programs: "any ongoing effort to educate, inform, and help the population, or specific segments of the population, in financial and economic literacy matters. Programs should have clear, measurable objectives and goals."

#### Availability

Twenty of the 21 entities, including the Commission members and non-member agencies, reported conducting 56 financial and economic literacy education programs.<sup>3</sup> Results indicated the interpretation of what constituted a “program” and program goals varied widely. All entities and 91 percent of programs reported making resources available online. Seventy-seven percent reported making resources available through paper materials such as leaflets and brochures. Other modes of availability include, but are not limited to: events, webinars, media campaigns, and counseling.

#### Utilization

Slightly over half, 55 percent, of agencies, and 32 percent of programs, reported targeting utilization of services by all populations. Slightly less than half, 45 percent, of agencies, and 34 percent of programs reported targeting utilization of services by age. Immigrants were the population least targeted, 25 percent by agencies and 16 percent by programs.

#### Impact

Most programs, 96 percent, reported that the desired impact of their programmatic efforts was raising awareness. Seventy-seven percent reported that the desired impact was enhancing financial knowledge; and 71 percent reported the desired impact of changing attitudes. Sixty-three percent of programs reported reinforcing confidence when dealing with financial products as the desired impact.

#### Recommendations

Report recommendations include: 1) developing a clear, standardized definition of what constitutes a financial and economic literacy education program; 2) continuing efforts to improve the central clearinghouse for financial education information; and 3) maintaining a centralized inventory of programs and their status to be updated regularly.

To the address the report recommendations the Commission has and is taking the following steps: 1) When an additional survey is conducted to obtain a comprehensive catalogue of existing Federal programs, the Commission will collectively craft a standardized definition of what constitutes a financial and economic literacy education program. 2) The Commission’s Research and Evaluation Working Group is currently working to establish a clearinghouse in the form of an electronic catalogue available on MyMoney.gov for use by researchers, practitioners, and policy makers. In addition, SSA’s Financial Literacy Research Consortium, made up of research centers at Boston College, the RAND Corporation, and the University of Wisconsin, is developing innovative, research-based communications and programs to help Americans enhance their financial literacy and plan and save for a secure retirement. 3) The Commission redesigned the MyMoney.gov Website, which is the centralized inventory of programs and will be discussed in further detail in section *VII. Status of survey of financial literacy and education materials*. The Website is updated regularly. The Commission is currently developing a timeline to implement these recommendations as part of the National Strategy 2011 Implementation plan which will be available in the summer of 2011.

<sup>3</sup> The White House, represented by the Office of Public Engagement, and the CFPB, were not members of the Commission at the time in which the survey was conducted.

Please see the entire report available in Appendix B.

**VI. Information concerning the content and public use of MyMoney.gov and My Money Toll-free hotline**

The Commission launched a national financial education website, MyMoney.gov, and toll-free hotline, 1-888-MyMoney, in October 2004, which streamlines access to Federal financial education and resources. These resources provide the public with improved access to basic personal finance information from the Federal government in a centralized location. In 2010, shortly after President Obama proclaimed April to be National Literacy Month, the Commission announced the launch of the redesigned MyMoney.gov which included enhanced interactive features and utility. For more information about the redesign of MyMoney.gov see section *XI. Review of materials related to the Commission.*

**a. MyMoney.gov**

MyMoney.gov, as mandated by Title V of the FACT Act, and administered by GSA, serves as a clearinghouse for Federal financial literacy and education programs and provides numerous resources and tools such as *Taking Control of Your Finances: A Special Guide for Young Adults*, made available by FDIC; *Taking the Mystery Out of Retirement Planning*, provided by DOL; *HelpWithMyBank.gov*, provided by OCC; and *Financing Your Business*, provided by SBA. Following are the Federal entities that MyMoney.gov directs users to for additional information: FDIC, DOL, OTS, USDA, GSA, OCC, NCUA, FRB, Treasury, FTC, SSA, SEC, OPM, HHS, GSA, DOE, SBA, Department of Homeland Security (DHS), Bureau of Public Debt, DoD, VA, and GSA.

With respect to the use of MyMoney.gov, the Commission's Outreach and Communications Working Group continues to actively promote the redesigned MyMoney.gov site. Some of the initiatives to drive traffic to MyMoney.gov include: 1) Treasury's Financial Management Service will include inserts about MyMoney.gov in the mailing of 2.5 million tax refund checks, and 2) print information about MyMoney.gov on the back of tax refund envelopes in April 2011. Additionally, Commission members continue to distribute MyMoney.gov bookmarks at various events throughout the country. Presently, more than 10,000 bookmarks have been distributed.

MyMoney.gov continues to attract numerous unique visitors and page views, with 197,995 unique visits and 1,118,944 total page views from September 2010 to December 2010. It is also worth noting that MyMoney.gov has an international audience; there were 10,962 unique visitors from China, primarily Beijing, during the same time period.

A survey of MyMoney.gov, conducted between September 28 and December 31, 2010, by ForeSee Results, which employs the American Customer Satisfaction Index (ACSI), a leading national indicator of customer satisfaction, found that a wide range of individuals utilized MyMoney.gov, particularly individuals planning for retirement and those who identified themselves as parents or caregivers. A few of the specific highlights are:

- Thirty-three percent of users visited the *My Resources* area that provides information by the following target populations: youth, teachers, parents and caregivers, women, employees, military personnel, retirees, researchers, and educational providers.
- Thirty-one percent of users visited *Tools* which provides calculators to help users plan their finances, interactive budgeting worksheets, and checklists to help users manage their finances.
- Seventeen percent of users visited *Life Events* which provides financial information for the following life events: birth/adoption of a child, going to college, marriage/divorce/partners, home ownership, natural disasters and unexpected events, starting/losing a job, starting/buying a business, planning for retirement/retiring, and death of a family member.

Further information will be provided about the users' satisfaction ratings and survey methodology in section *VII. Status of survey of financial literacy and education materials*.

**b. My Money toll-free hotline, 1-888-MyMoney**

The My Money Toll-free hotline, 1-888-MyMoney, as mandated by Title V of the FACT Act, serves as a toll-free telephone number made available to the public seeking information pertaining to financial literacy and education. Currently, when callers phone the hotline, they are routed to a representative from whom the caller can request a "MyMoney personal finance toolkit" available in English and Spanish. The toolkit includes the following seven materials: 1) *Your Insured Deposits* (FDIC), 2) *Saving and Investing: A Roadmap to Your Financial Security through Saving and Investing* (SEC), 3) *Ask Questions: Questions You Should Ask About Your Investments* (SEC), 4) *Social Security: Understanding the Benefits* (SSA), 5) *Consumer Action Handbook* (GSA), 6) the *Money Smart* brochure (FDIC), and 7) *Consumer Information Catalog* (GSA).

During fiscal year 2010, the Federal Citizen Information Center (FCIC), housed within GSA, handled 1,215 My Money hotline calls at its National Contact Center, at a total cost of approximately \$14,315.54. The FCIC processed 600 phone and 14,301 web orders for a total distribution of 14,901 English toolkits. The FCIC processed 17 phone and 423 web orders for a total distribution of 440 Spanish toolkits.

**VII. Status of survey of financial literacy and education materials**

On April 27, 2010, the Commission announced the launch of the redesigned MyMoney.gov Website. The redesigned site offers enhanced interactive features and utility to provide more resources to Americans seeking information to inform their personal finance decisions, as well as to serve as an online point of access to financial information from the 22 Federal entities that currently comprise the Commission.

As discussed in the preceding section, *VI. Information concerning the content and public use of MyMoney.gov and My Money toll-free hotline*, a. *MyMoney.gov*, a survey of the redesigned

MyMoney.gov, was conducted between September 28, 2010 and December 31, 2010, by ForeSee Results, which employed The American Customer Satisfaction Index (ACSI), a leading national indicator of customer satisfaction. It was found that a wide range of individuals utilized MyMoney.gov, particularly individuals planning for retirement and those who identified themselves as parents or caregivers. In addition to providing information about type of user and which areas of the MyMoney.gov site users visited, drivers of satisfaction as well as overall satisfaction and future behaviors were also determined.

The survey invitation was presented randomly to 15 percent of visitors who viewed three or more pages of the MyMoney.gov Website. When visitors accepted the invitation, the survey was presented when the visitor left the site. The completion percentage of the ForeSee survey was at 54.39 percent, significantly higher than the average, 7 percent.

#### Overall Satisfaction

Satisfaction was measured through the use of three key questions, with a range of answers allowable:

What is your overall satisfaction with this site?

1= Very Dissatisfied, 10= Very Satisfied

How well does this site meet your expectations?

1= Falls Short, 10= Exceeds

How does this site compare to your idea of an ideal website?

1= Not Very Close, 10= Very Close.

On a 100 point scale, wherein the score is a weighted average of the responses to two to four individual questions, which comprise the overall Score for an element, the overall customer satisfaction score was 63. ForeSee advised a score in the 60<sup>th</sup> percentile may be due to the newness of the site.

Users were most satisfied with “site performance” which received a score of 76. Users also reported satisfaction with the “look and feel” which received a score of 73. Areas for improvement include “navigation” and “search” which, respectively, received scores of 67 and 68. Both “navigation” and “search” have a high impact on satisfaction. MyMoney.gov visitors were primarily dissatisfied with the number of clicks needed to reach information and the options available for navigating the site.

#### Future Behaviors

Future behaviors were measured through the use of three key questions:

How likely are you to use this site as your primary resource for financial education?

1= Not Very Likely, 10= Very Likely

How likely are you to recommend this site to someone else?

1= Not Very Likely, 10=Very Likely

How likely are you to return to this site?

1= Not Very Likely, 10= Very Likely

On a 100 point scale, wherein the score is a weighted average of the responses to two to four individual questions, which comprise the overall Score for an element, the “return” score was the highest at 69, the “recommend” score was 67, and the “primary resource” score was 55. Future behaviors scores are estimated to rise as improvements are made to increase satisfaction.

Treasury will work with the Outreach and Communications Subcommittee to make improvements to MyMoney.gov based on survey results and the availability of resources.

#### **VIII. Status of hearings conducted by the Commission**

Following is a brief description of one hearing conducted by the Commission since the publication of the last Commission SAFE report and six Commission meetings.

##### Hearing Summary

On July 15, 2010, the Treasury Assistant Secretary for Financial Institutions, Michael Barr, testified before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia of the U.S. Senate Committee on Homeland Security and Governmental Affairs on “The Federal Government’s Role in Empowering Americans to Make Informed Financial Decisions.”

Key topics discussed were: the Commission, the President’s Advisory Council on Financial Capability, and new Treasury initiatives. Within his testimony related to the Commission, Assistant Secretary Barr provided an update on four Commission activities. 1) A new national strategy was being drafted by the National Strategy Working Group. 2) MyMoney.gov had been recently redesigned and the future plans for MyMoney.gov included adding a research clearinghouse and additional interactive tools. 3) The Core Competency Working Group had worked closely with a group of experts in financial education, including researchers and practitioners, to identify five core concept areas: (a) earning, (b) spending, (c) saving and investing, (d) borrowing, and (e) protecting against risk. Treasury, in conjunction with another team of experts, developed two self-assessment financial fitness tests based on the core competencies to enable individuals to gauge their overall levels of financial capability. These self-assessment tools will be posted on the MyMoney.gov website. 4) The Research and Evaluation Working Group was working to establish a research clearinghouse to provide an initial set of tools and metrics for evaluating financial competency at the individual, program, and national level.

##### Meeting Summaries

The Commission, per Title V of the FACT Act, holds at least one meeting every four months which are open to the public. Meeting discussion topics have included: the progress of the National Strategy 2011, the creation and implementation of core competencies, financial literacy research and evaluation, and the promotion and utilization of MyMoney.gov. Each Commission meeting features a guest speaker who presents on a topic of importance and interest to the Commission. Following is a list of guest speakers and topics they have discussed.

*Diana Crossan*, the New Zealand Retirement Commissioner, discussed New Zealand's national financial literacy strategy, launched in May 2008, which includes concepts such as maximizing outreach, allowing flexibility, achieving a cultural fit, extending delivery, and revamping the New Zealand Curriculum. Ms. Crossan also discussed the importance of getting the information into the hands of stakeholders through various communication vehicles such as printed materials and online tools. For example, the Retirement Commission's Website, [sorted.org.nz](http://sorted.org.nz), has been ranked among the top five government websites of New Zealand. In addition, Ms. Crossan indicated that a multimedia campaign was conducted including a television series that targeted the youth population.

*Barbara Ryan*, Deputy to the Vice Chairman at the Federal Deposit Insurance Corporation, discussed the *FDIC National Survey of the Unbanked and Under-banked Households*. Key findings indicated that there are approximately nine million households who are unbanked; African-Americans, Hispanics, and Native Americans are more likely to be unbanked than the population as a whole; and a substantial percentage of lower-income households are unbanked.

*John Phillips*, the Director of Policy Research at the Social Security Administration, discussed the Financial Literacy Research Consortium, made up of research centers at Boston College, the RAND Corporation, and the University of Wisconsin. Mr. Phillips reported that the Consortium is placing a special emphasis on traditionally underserved populations.

*Mark Iwry*, Senior Advisor to the Secretary and Deputy Assistant Secretary for Retirement and Health Policy at the Department of Treasury, discussed the Administration's retirement initiatives such as making it easier for families to save a portion, or all, of their tax refund.

*Annamaria Lusardi*, Professor of Economics at Dartmouth and Director of the Financial Literacy Center, discussed the results of the Financial Industry Regulatory Authority (FINRA) Investor Foundation's *2009 National Financial Capability Study* which indicated that most Americans do not plan for retirement and have not set money aside for their children's college education or for emergencies.

*Amar Parikh*, Director of Corporate Affairs at Ariel Investments, discussed the study, *401(k) Plans in Living Color: A Study of 401(k) Disparities Across Racial and Ethnic Groups and Financial Literacy Implications*, which found that African-American and Hispanic investors were less likely to invest in equities and more likely to take out loans and early withdrawals which lead to lower account balances at every income level.

*Ray Kirk*, Manager of Benefits Officers Training and Development Group within the Office Personal Management, discussed Federal employee participation patterns in the Thrift Savings Plan (TSP) Study, specifically participation rates of minority versus non-minority and female versus male participation. The study found that minorities were less likely to participate in the TSP than non-minorities and that women under-participate in the TSP compared to their male counterparts and have lower balances.

*The Honorable Rosie Rios*, Treasurer of the United States, provided opening remarks and hosted the most recent Commission meeting on January 26, 2011. She also provided an overview of

Treasury activities including the 2011 National Financial Capability Challenge intended to increase the financial knowledge and capability of high school youth, a Treasury partnership with the SSA to conduct further research on financial capability and domestic violence, and a Treasury pilot offering low- and moderate-income families an opportunity to receive their tax refund on a debit card.

*Holly Petraeus*, from the Office of Servicemember Affairs within the Bureau of Consumer Financial Protection (CFPB), spoke about the role the CFPB would serve in protecting military personnel and families from deceptive financial products and services.

*Debby Visser*, Director of Success Measures Investments and Partnerships, and *Jessica Anders*, Research and Evaluation Manager of Success Measures, at NeighborWorks discussed a financial education toolkit to provide the financial literacy community with a practical, credible, and accessible way to use data for continuous learning and to demonstrate results.

*Jason Milton*, Senior Consultant, of Gallup Consulting and *Jennifer Thibeaux*, Director of the Office of Innovation, Research & Assessment, of Operation HOPE, Inc., discussed findings from the *Gallup-Operation HOPE Student Financial Literacy Index* which found, among other things, that 70 percent of financially literate youth had bank accounts.

#### **IX. Status of activities of the Commission planned for the next fiscal year**

For the fiscal year beginning, October 1, 2010, the Commission's activities, beyond what is mandated in Title V of the FACT Act, will largely depend upon available resources. Proposed initiatives include:

- 1) The implementation of the National Strategy 2011, as described in section *IV. Assessment of the success of the Commission in implementing the National Strategy*.
- 2) The implementation of core competencies created by the Core Competencies Working Group to address the lack of common understanding and goals within the financial education field. The development of core competencies was a fundamental step in establishing a clear understanding about what individuals should know, and the basic concepts program providers should cover. This is crucial to enable both individuals and providers of financial education to address the current lack of consistency in various financial literacy programs in identifying their goals and objectives, how program success is measured, and what financial information and problem-solving skills participants can be expected to acquire. The next phase of this project is to examine the dissemination of successful social marketing campaigns, create a marketing plan to address the needs of various population segments and develop methods for monitoring the marketing plan as it progresses.
- 3) The development of more rigorous evaluation and research to advance the goals of financial education. To encourage such research, as well as collaboration among agencies and other experts, Treasury is working closely with the Commission's Research and Evaluation Working Group to establish a clearinghouse in the form of an electronic

catalogue available on MyMoney.gov for use by researchers, practitioners, and policy advisers.

- 4) Further improvements to MyMoney.gov such as: 1) increasing the likelihood that a user would find MyMoney.gov in an internet search through the utilization of various search engine optimization techniques; 2) acting on survey results to increase user satisfaction; and 3) posting self-assessment tools Treasury developed in conjunction with a team of experts to assess a user's financial fitness, enabling individuals to gauge their overall level of financial capability.

#### **X. Summary of Federal financial literacy and education activities targeted to underserved communities**

The following section will discuss Federal financial literacy and education activities targeted to underserved communities, specifically, the findings and programs discussed in the RAND Labor and Population report, a Treasury pilot initiative, and the creation of the Financial Access Working Group within the Commission. For the purpose of this report, the Commission will define underserved communities as low- and moderate-income populations.

##### RAND Labor and Population Report:

As stated in section V. *Assessment of the availability, utilization, and impact of Federal financial literacy and education materials*, RAND Labor and Population, analyzed survey data provided by 21 Federal entities and reported the findings in the *Federal Financial and Economic Programs, 2009*. Analysis included, but was not limited to, the target audience of Federal financial and literacy education and activities. Target audience categories were as follows: all populations, young, elderly, women, employees, immigrants, and other (self-identified). Other (self-identified) categories included: by profession, by financial holdings, disadvantaged populations, by demographics, by age group, and miscellaneous.

Report findings indicate that immigrants were the population least targeted, 25 percent by agencies and 16 percent by programs. In particular, programs that address retirement issues are lacking. This is significant as a May 2010 Government Accountability Office Consumer Finance report, *Factors Affecting the Financial Literacy of Individuals with Limited English Proficiency*, reported that numerous factors create a barrier to financial literacy skills for immigrants such as limited English proficiency, lack of familiarity with the U.S. financial system, and cultural barriers. Programs and agencies reported targeting disadvantaged populations at slightly higher rates, 35 percent by agencies, and 21 percent by programs.

Following are descriptions as reported in the *Federal Financial and Economic Programs, 2009* report of two programs and two Acts that specifically noted targeting immigrants and/or underserved populations in their individual program description:

- 1) the National Education and Resource Center on Women and Retirement Planning, which focuses on providing culturally relevant education to traditionally hard-to-reach women, such as elderly and immigrant women, although educational materials are available for all ages, provided by the Administration on Aging within HHS;

2) the Pension Counseling and Information Program, which targets populations that are underserved and hard-to-reach seniors (e.g., rural, homebound, isolated, limited English speaking), women, immigrants, HHS employees, and family members and caregivers of individuals facing retirement decisions and pension benefit problems, provided by the Administration on Aging within HHS;

3) the Medicare Improvements for Patients and Providers Act (MIPPA) which targets the elderly populations, Medicare eligible immigrants, Medicare beneficiaries with disabilities, and caregivers and family members of Medicare beneficiaries, also provided by the Administration on Aging within HHS; and

4) the Community Reinvestment Act (CRA) wherein the federal bank regulators grant banks positive consideration under the CRA, under 12 CFR Part 25, for their participation in financial literacy programs and activities that can both enhance consumer financial skills and extend bank products to underserved markets.

In addition, Treasury's Office of Financial Education and Financial Access (OFEFA) conducted the Community Financial Access Pilot (CFAP), which began in 2008 and was implemented through December 2009, to increase access to financial services and financial education among low- and moderate-income families and individuals, who have no bank or credit union account. Eight locations, representing a diverse set of urban, metropolitan, and rural areas of the U.S., were selected for a pilot project designed to enhance local capacity to build collaboratives that would increase the availability and use of mainstream financial services and financial education for the low- and moderate-income population. The CFAP communities were: Fresno, California, Jacksonville, Florida, Eastern Region of Kentucky, Delta Region of Mississippi, St. Louis Metropolitan Area, Missouri/Illinois, Philadelphia, Pennsylvania, Brownsville, Texas and Cowlitz County, Washington.

A report, *Community Financial Access Pilot*, summarizes the pilots during the 2008-2009 pilot period in order to provide guidance to local organizations wishing to replicate similar programs in their communities. Similar findings were found in multiple communities including: financial institutions are critical partners in delivering appropriate products and services, effective delivery of financial education is critical to promote sound use of financial products and services, both financial access and financial education can and should be delivered in diverse venues, and a strong collaborative effort can lead beyond accounts and education to provide new initiatives and ideas to address the many complex challenges facing low- and moderate-income individuals.

#### Treasury Pilot Initiatives

Treasury is currently piloting a two-part initiative to improve tax administration by offering selected low- and moderate-income households an opportunity to receive their Federal tax refund on a debit card. The first component involved an offer Treasury sent by mail to 800,000 individuals nationwide who were likely to be unbanked. The letters invited taxpayers to consider activating a prepaid debit card in time to have their 2010 Federal tax refund direct deposited to the card, providing a safer, more convenient, and lower-cost way to receive their Federal tax refund compared to paper checks. The results of the pilot will help determine the benefits and feasibility of a debit card account as an integrated part of the tax filing and refund process. The second component was a smaller effort to encourage tens of thousands of current and potential

payroll card users to direct deposit their 2010 Federal tax refund onto existing payroll cards by highlighting the safety, ease, and convenience of direct deposit onto payroll cards.

Treasury aims to better understand the value of partnering with payroll providers and employers to deliver tax refunds into low-cost accounts. Both pilot components have the potential to streamline the tax administration process, save the government money, and deliver tax refunds in a faster, more efficient manner.

#### Bank On USA infrastructure building

The Bank on USA initiative, to be implemented by the Department's Community Development Financial Institutions (CDFI) Fund in conjunction with OFEFA, will promote financial education, broader access to bank and credit union accounts, basic credit products, and other financial services to help low- and moderate-income individuals and families meet their financial needs and build savings and solid credit histories. The program will build on and supplement community-based efforts involving state and local governments, non-profits, and a wide array of financial institutions, including CDFIs. In addition, this initiative will promote much needed private sector innovation in the field of consumer finance for low- and moderate-income households lacking adequate financial access. In support of Bank On USA, and local initiatives around the country, OFEFA will invest in building infrastructure to enhance and expand efforts underway, in such areas as data collection standards and tools, needs assessment tools, and venues for sharing ideas and information. Funding will determine the degree to which program goals are implemented.

#### Creation of the Financial Access Working Group within the Commission

Financial education equips Americans with the knowledge they need to make informed financial decisions. Financial access promotes the creation and use of fair and affordable financial products and services in mainstream financial institutions. During the internal Commission meeting on September 1, 2010, the Treasury proposed the creation of a working group focusing on financial access issues. The working group would serve to integrate financial access efforts into existing Federal financial education efforts and other Federal programs that serve low- and moderate-income individuals, and coordinate and maximize the output of Federal efforts to promote financial access for the unbanked and underbanked individuals. The Commission approved the formation of the working group at the public meeting in September 30, 2010.

#### Financial Education and Counseling Pilot

Treasury's OFEFA, working in conjunction with the CDFI Fund, announced the four award recipients of the FY 2010 round of the Financial Education and Counseling Pilot Program (FEC Pilot Program) which awards grants to eligible organizations that provide innovative financial education and counseling services to prospective first-time homebuyers. The awardees, serving low- and moderate-income communities in Florida, Hawaii, New Mexico and Pennsylvania, all share the common goal of increasing the financial knowledge and decision-making capabilities of prospective homebuyers in order to improve their financial stability and to effectively prepare for and sustain homeownership.

#### FDIC Initiatives

The FDIC is leading a variety of national initiatives to help ensure individuals' access to the mainstream banking system. Those initiatives include the FDIC's Alliance for Economic

Inclusion (AEI), which are broad-based coalitions of financial institutions, community-based organizations and other partners established in markets nationwide to bring the unbanked and underserved populations into the financial mainstream. AEI's focus is on expanding basic retail financial services for the underserved populations including savings accounts, affordable remittance products, affordable small-dollar loans, financial education programs, alternative delivery channels and other asset-building programs. The FDIC launched a Model Safe Account Pilot program in January 2011; nine financial institutions are participating in a case study to help the agency identify best practices of banks offering safe and low-cost transactional and savings account products, particularly those that are responsive to the needs of underserved consumers. The FDIC has also created an interactive Economic Inclusion website designed to facilitate access to FDICs unbanked and underbanked population surveys.

#### **XI. Review of materials related to the Commission**

The Commission provides materials to consumers, financial educators, and scholars. Commission materials for consumers, to name a few, include: MyMoney.gov, My Money toolkits, and related promotional material such as My Money bookmarks. Commission materials for financial educators, to name a few, include: Money Smart, published by the FDIC; Money Math, published by the Treasury; and You Are Here, published by the FTC. Finally, Commission materials for scholars include: the RAND Labor and Population report and the Community Financial Access Pilot report. Also for scholars, as noted in section IX, *Status of activities of the Commission planned for the next fiscal year*, the Research and Evaluation Working Group is assembling a clearinghouse of existing research. A review of all these materials has been provided in previous sections.

